Navigating EU Taxonomy: Progress and Pathways to Compliance

Insights into the EU Taxonomy disclosures for the Financial Year 2023 of 291 European non-financial undertakings

KPMG International

Purpose of this report

Beginning of 2024, most large public-interest entities have published their EU Taxonomy reports for the third time and since the first year of application reporting requirements have increased gradually. Companies went from only having to disclose 'potentially sustainable' (Taxonomy-eligible) activities in reports published in 2022, to now having to assess Taxonomy-alignment for the first two environmental objectives as well as eligibility for four more objectives defined by the EU Taxonomy. This not only changed the general amount of effort required for the analysis, but also led to more companies and their business models being covered, potentially bringing clarity into the sustainability efforts of a lot more industries. Therefore, in this year's study we provide valuable insights in the EU Taxonomy disclosures of 291 European large public-interest entities. We analyzed which numbers of eligibility and alignment were reported on average in different sectors and whether those as well as the accompanying qualitative disclosures have improved compared to the previous year. We also analyzed how overall eligibility has changed with new activities for the four remaining environmental objectives being introduced.

Executive summary

Taxonomy-eligible and aligned activities in 2023

For companies reporting eligibility greater than zero, the average eligible and aligned turnover were 44% and 21%, the average eligible and aligned CapEx were 48% and 24% and the average eligible and aligned OpEx were 44% and 26% respectively. All averages were higher than in the previous reporting period, with the biggest difference seen in average eligible CapEx that showed an increase of 8 percentage points.

Changes due to new activities

76% of all companies in our sample reported at least some eligible turnover, which is more than last year when it was only 60%. This indicates that with more environmental objectives and therefore more business activities being covered by the EU Taxonomy, more companies find their revenue generating activities being included in the EU Taxonomy's set of potentially sustainable activities.

Qualitative information

Qualitative disclosures still varied in length and content, suggesting a still existent lack of best practices. Our analysis overall showed that many companies still do not disclose all required qualitative information, similar to the findings of the previous reporting period. This is expected to change when more companies obtain assurance on their Taxonomy disclosures.

Level of assurance

In our sample, 40% of all companies disclosed that they have commissioned an audit of their EU Taxonomy information, making an increase of only 3 percentage points from last year. With the implementation of the Corporate Sustainability Reporting Directive (CSRD), obtaining a limited assurance will become mandatory.

Sector insights

Despite improved average eligibility figures compared to last year, many industries still report averages below 50%, suggesting that their business models are not fully or only partially covered by the EU Taxonomy. As in the previous reporting year, the 'Real Estate' industry recorded the highest average eligibility, while the 'Utilities' sector reported the highest Taxonomy-aligned turnover. With the addition of activities related to the four other environmental objectives in 2023, sectors such as 'Consumer Products and Services' and 'Health Care' have shown significant increases in average eligibility from previously low figures.

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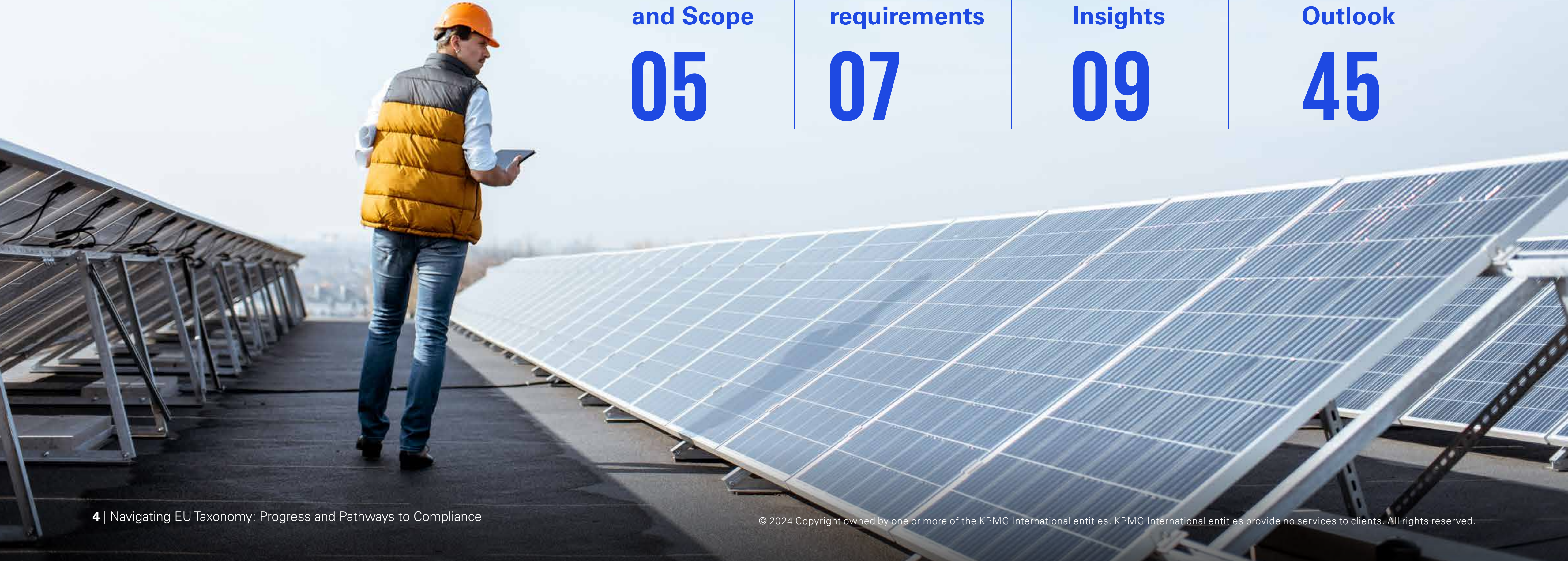


Approach and Scope

EU Taxonomy-alignment reporting over financial year 2023

For the third year of EU Taxonomy reporting, like in the previous two periods, disclosures were required from companies subject to the Non-Financial Reporting Directive (NFRD), which targets large public-interest entities with more than 500 employees. For reports published in the period 1 January 2024 until 31 December 2024, companies again had to report their Turnover, Capital Expenditure (CapEx), and Operating Expenditure (OpEx) in relation to activities defined by the EU Taxonomy. This reporting period, companies had to consider activities from all six environmental objectives for the first time. However, while they had to report full scope on eligibility and alignment for the previously established activities within the first two environmental objectives, they only had to disclose eligibility for the newly added activities within the remaining four environmental objectives introduced by the Environmental Delegated Act. The same applied for activities that were newly added to the first two objectives by the Amended Climate Delegated Act.

Details of our analysis

Which companies are included in our analysis?

Our study encompasses 291 non-financial companies that are headquartered in the European Union and are included in the STOXX Europe 600 Index. This provides a diverse sample of companies with varying market capitalizations, including large, mid, and small-cap firms from 15 different EU countries. The sample also represents a broad range of industries, with 17 sectors covered. Thirteen of these sectors, including Industrial Goods and Services, Healthcare, and Utilities, have been thoroughly analyzed in the relevant subsection for sector-specific insights.

Which reports have we reviewed?

Our analysis includes a thorough examination of the annual (integrated) reports[1] for the financial year 2023, as the EU Taxonomy disclosure should be part of the non-financial reporting. To ensure compliance with reporting requirements, we have excluded companies with fewer than 500 employees, as they are not obligated to report on the EU Taxonomy. For a comprehensive list of the companies included in our sample, please refer to Appendix 1.

How did we perform the analysis?

We conducted our benchmarking analysis by starting with a cross sector assessment focusing on disclosed eligibility and alignment KPIs as well as related qualitative disclosures. We further performed sector-specific analyses. Additionally, we compared results to our findings from last year's study throughout the analysis. The disclosures were reviewed with the help of a checklist developed by KPMG professionals. A certain level of judgment was exercised when reading the disclosures, and we have not verified the information disclosed by companies in our sample.[2] Please note that in our report eligible means 'eligible and aligned turnover (A.1)' plus 'eligible but not aligned turnover (A.2)', the underlying reasoning being that every aligned activity is also eligible.

[1] The review also covers other reports, as in a few cases the EU Taxonomy disclosures were only provided in another standalone report (e.g. Sustainability report) and in another few cases high-level EU Taxonomy disclosures were provided in the annual report and more enhanced disclosures were provided in a separate report (e.g. ESG performance report). For most French companies, the Universal Registration Documents (URD), including non-financial reporting, have been reviewed.

[2] About 39% of companies in the sample obtained assurance on their EU Taxonomy disclosures.

Regulatory requirements

In order to reach the objectives of the European Green Deal, it is required to direct investments towards sustainable projects and activities. To achieve this, a common language and a clear definition of what is 'sustainable' was needed. In this context, the EU Taxonomy Regulation[3] entered into force in July 2020. It established a framework to clarify which economic activities can be labeled as 'environmentally sustainable'.

Regarding the classification of an activity as 'environmentally sustainable' in terms of the EU Taxonomy, a distinction between Taxonomy-eligibility and Taxonomy-alignment is made. In the first step, it is necessary to examine whether an activity is described in Delegated Regulations, since only those activities are considered 'Taxonomy-eligible'. Eligible activities are then assessed against certain criteria and can be labeled 'Taxonomy-aligned' (i.e. 'environmentally sustainable') when they cumulatively meet three conditions:

- substantially contributing to one or more of six defined environmental objectives;
- doing no significant harm to any of the other objectives; and
- complying with the minimum safeguards.

Delegated Regulations complement the EU Taxonomy Regulation. They provide technical screening criteria for a list of economic activities with the potential to become 'environmentally sustainable' and specify the content and presentation of information to be disclosed by undertakings subject to the EU Taxonomy Regulation.

In the initial stage, the European Commission has enacted the Climate Delegated Act[4] focusing on the first two objectives:

1. Climate change mitigation and
2. Climate change adaptation,

officially establishing the corresponding Technical Screening Criteria for the defined activities as legally binding as well as a Delegated Act supplementing Article 8 of the Taxonomy Regulation, specifying the content and format of the disclosures to be provided (Disclosures Delegated Act[5]).

In March 2022, the Commission presented another regulation, the Complementary Climate Delegated Act[6] which has been applicable since January 1st, 2023. This Act extends the activities of the first two environmental objectives to include certain activities in the field of nuclear and gas energy. The criteria set for these specific activities align with the EU's climate and environmental goals, aiming to facilitate a transition away from fossil fuels towards a climate-neutral future.

In June 2023, the European Commission published the Amended Climate Delegated Act[7] which amends the technical screening criteria of some existing economic activities of the first two environmental objectives and also adds technical screening criteria for new economic activities within the aforementioned environmental objectives.

Also in June 2023, the Environmental Delegated Act[8] has been published, finally specifying technical screening criteria for the four environmental objectives that were not covered by the Climate Delegated Act:

3. Sustainable use and protection of water and marine resources;
4. Transition to a circular economy;
5. Pollution prevention and control; and
6. Protection and restoration of biodiversity and ecosystems.

The Environmental Delegated Act further introduced amendments to the Disclosures Delegated Act, which include, for example, changes to the mandatory reporting templates.

The changes and additions were applicable from January 2024. However, for reports published in 2024, companies were only required to report on taxonomy eligibility for the newly introduced economic activities.

To conclude, the major regulatory developments in the context of the EU Taxonomy mean that with the reports that were analyzed within this study we are, for the first time, looking at disclosures regarding all six environmental objectives.

[3] EU Taxonomy Regulation — Regulation (EU) 2020/852 of the European Parliament and of the Council
[4] Climate Delegated Act — Commission Delegated Regulation (EU) 2021/2139 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council
[5] Disclosures Delegated Act — Commission Delegated Regulation (EU) 2021/2178 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council
[6] Complementary Climate DA — Commission Delegated Regulation (EU) 2022/1214 amending Delegated Regulation (EU) 2021/2139 and Delegated Regulation (EU) 2021/2178
[7] Amended Climate Delegated Act — Commission Delegated Regulation (EU) 2023/2485 amending Delegated Regulation (EU) 2021/2139
[8] Environmental Delegated Act — Commission Delegated Regulation (EU) 2023/2486 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council and amending Commission Delegated Regulation (EU) 2021/2178

Insights

Cross Sector Insights

Reported activities

While in the first application years of the EU Taxonomy only the first two environmental objectives 'Climate change mitigation' and 'Climate change adaptation' were in focus, in the last reporting period about financial year 2023 companies also had to include the other four environmental objectives in their analysis for the first time. This means, eligibility had to be assessed for all activities listed within the Climate Delegated Act as well as those listed within the newly added Environmental Delegated Act. However, the newly added activities did not have to be assessed regarding their alignment yet, as this only becomes mandatory from the next reporting period onwards. Companies could, however, report alignment for the newly added activities on a voluntary basis. Therefore, it was particularly interesting to look at whether all companies included the newly added activities within their analyses, which of the environmental objectives most companies focused on and whether some companies voluntarily not only assessed eligibility but also alignment for the new activities.

Our analysis showed that 36% of the companies in our sample did not report eligibility or alignment for any of the newly added activities. While some companies may simply not have found any eligible activities among the newly added ones, others may have failed to analyze the new set of activities at all. In regard to the environmental objectives the results show that most of the reported activities still fall under the first objective 'Climate change mitigation' with 91% of the companies in our sample reporting at least one eligible activity under this objective. The next most common objective was 'transition to a circular economy', where 43% of the sample companies found at least one eligible activity. 29% of the companies found at least one eligible activity for 'Climate change adaptation', 12% for 'Pollution prevention and control' 7% for 'Sustainable use and protection of water and marine resources' and 3% for 'Protection and restoration of biodiversity and ecosystems'. In this context it has to be noted, however, that the number of activities listed under each environmental objective differs considerably, which partly explains why companies may find more eligible activities for certain environmental objectives. While, for example, there is a list of 101 activities with a potential to contribute to 'Climate change mitigation', the set for the objective 'Protection and restoration of biodiversity and ecosystems' merely lists two activities.

Quantitative disclosures

General disclosures and use of reporting templates

The Disclosures Delegated Act outlines the information companies should disclose and how they should present it. For instance, companies are required to use the predetermined

36%

of the companies in our sample did not report eligibility or alignment for any of the newly added activities.

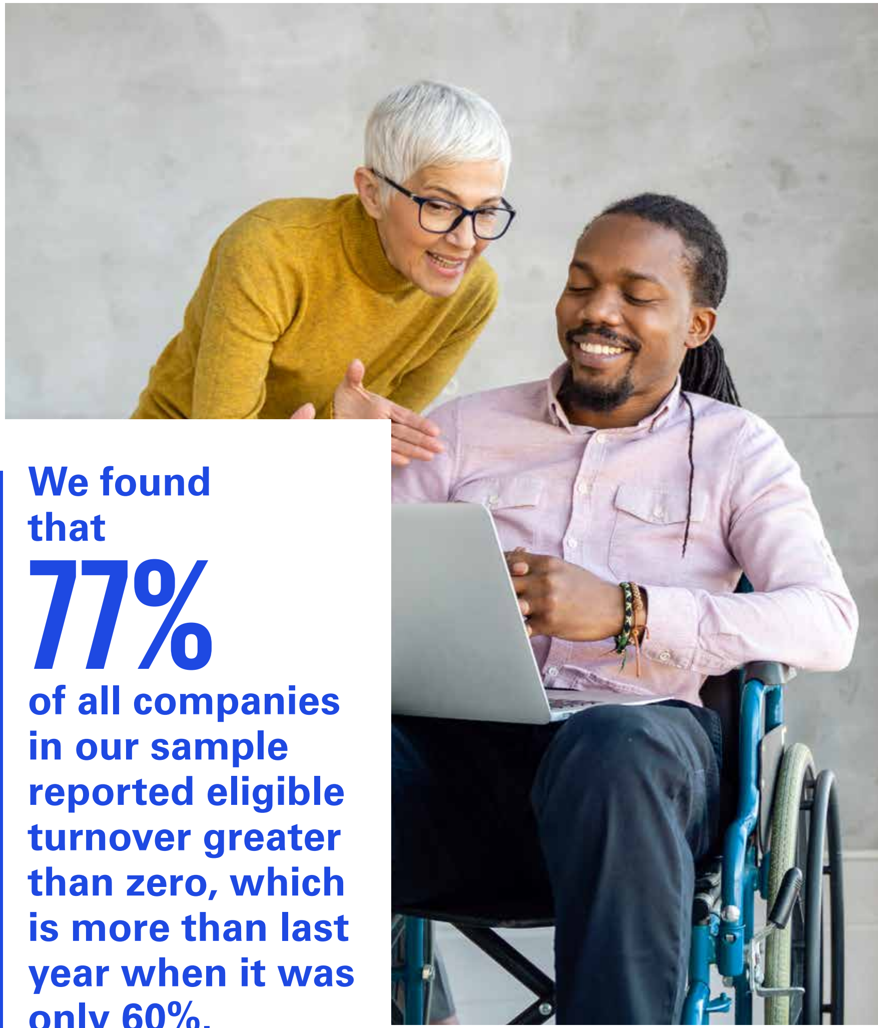
tables displayed in Annex II of the Disclosures Delegated Act to report eligible and aligned percentages of their key KPIs without any modifications. As described above, with the entry into force of the Environmental Delegated Act, changes to the Disclosures Delegated Act were made, which resulted in the predetermined reporting templates changing slightly compared to the previous reporting year. In this respect, it is not only interesting whether companies used the reporting templates, but also whether they used the latest version of them. Our analysis revealed that most companies (96%) disclosed one template per KPI as required, which is more than last year when we saw only 83% of the sample companies disclosing all three templates. 76% of the companies fully met the disclosure requirements by disclosing the latest updated templates for all three KPIs without modifications, while another 15% also used the updated templates but with modifications. 4% of the companies used the outdated template from the previous reporting period. While last reporting year 10% of the companies did not use the required templates, only 3% of the companies from this year's analysis did not display any templates at all.

Because of the requirement to now report on all six environmental objectives, companies were also asked to disclose an additional table per KPI showing their proportion of eligible and aligned turnover per environmental objective (see Disclosures Delegated Act, Annex II, footnote c)) to to provide transparency on the total eligibility and alignment per environmental objective including double counting. However, looking for example at the turnover disclosures, only 41% of the companies have disclosed the exact required table, another 4% also showed the table but with modifications. Out of the remaining 55% that did not show the additional table, 14% stated in their text that they did not have any double counting, which may be a reason they are not disclosing the table. Out of the remaining 41% (or 119 companies) not disclosing the additional table, 35 actually reported activities contributing to multiple objectives, which therefore would have made it necessary to disclose the table providing transparency about the allocation. For the rest it remains unclear whether the tables were not disclosed on purpose or whether companies were simply not aware of this new reporting requirement. We saw very similar results for the CapEx and OpEx disclosures respectively.

Additionally, as was already the case in the previous reporting period, the Complementary Delegated Act mandated companies to report multiple tables regarding their gas and/or nuclear activities. Even companies that do not have any such activities should disclose the first template included in Annex III to the Complementary Delegated Act. In our sample, 55% of the companies did not disclose any information regarding the Complementary Delegated Act, neither any of the templates nor verbal explanations. 10% did not disclose the tables but stated in their text that they do not have reportable activities in the gas and nuclear sector. Another 24% of the companies had no relevant activities either but disclosed the first template as required. Only 11% of the companies in our sample actually reported activities in the nuclear and gas sector, thereof 8% showing all 5 required templates whereas the remaining 3% only showed the first one.

Turnover KPI

The percentage of companies reporting eligible turnover gives us an indication, whether the companies' business models are, at least in part, covered by the EU Taxonomy or not. We found that 77% of all companies in our sample reported eligible turnover greater than zero, which is more than last year when it was only 60%. This indicates that now, with more environmental objectives and therefore more business activities being covered by the EU Taxonomy, more companies find their revenue generating activities being included in the EU Taxonomy's set of potentially sustainable activities. Out of the companies that reported eligible turnover greater than zero, the average reported eligible turnover was 43%, which is also more than last year's 37%. The average reported aligned turnover on the other hand was again considerably lower with only 20%, meaning less than half of the eligible activities fulfilled the respective technical screening criteria as well as the minimum safeguard requirements and can therefore



We found that

77%

of all companies in our sample reported eligible turnover greater than zero, which is more than last year when it was only 60%.

be classified as 'environmentally sustainable'. Looking at all companies, including those reporting zero eligible and aligned turnover, the averages were 34% and 10% for eligibility and alignment respectively.

The following sectors disclosed the highest eligible/aligned turnover. Please note that in our report eligible means 'eligible and aligned turnover (A.1)' plus 'eligible but not aligned turnover (A.2)', the underling reasoning is that every aligned activity is also eligible. In the below averages all companies were included (independent of them reporting eligibility/alignment equal to or greater than zero).

Average eligible turnover	**Average aligned turnover**
Real Estate **98%**	Utilities **45%**
Automobiles and Parts **74%**	Real Estate **32%**
Construction and Materials **54%**	Construction and Materials **21%**

CapEx KPI

Ninety-four percent of the companies in our sample reported eligible CapEx, which is higher than the number for turnover, indicating that even though some companies may not have eligible turnover, they are investing in activities that have the potential to contribute to one or more of the six environmental objectives. Out of the companies that reported eligible CapEx greater than zero, the average eligible CapEx was 48% and therefore slightly higher than the eligible CapEx last year, when it was 40% on average. The average aligned CapEx was 23% among the companies reporting aligned CapEx greater than zero and 16% among all companies regardless of eligible CapEx.

94%

of the companies in our sample reported eligible CapEx, which is higher than the number for turnover, indicating that even though some companies may not have eligible turnover, they are investing in activities that have the potential to contribute to one or more of the six environmental objectives.

The following sectors disclosed the highest eligible/aligned CapEx. In the below averages all companies were included (independent of them reporting eligibility/alignment equal to or greater than zero).

Average eligible CapEx		Average aligned CapEx	
Real Estate	98%	Utilities	77%
Utilities	85%	Real Estate	42%
Automobiles and Parts	81%	Energy	30%

The discrepancy between turnover and CapEx is based on the fact that different categories of investments shall be considered, and CapEx therefore does not have to be linked to revenue (e.g. CapEx category c: 'purchase of output'). In fact, we found that 21% of the companies disclosed eligible or aligned CapEx that stems, at least in part, from purchase of output (CapEx category c.). The different CapEx categories also partly explain, why certain Taxonomy-eligible investments could not be classified as aligned. The discrepancy between the eligibility and alignment KPIs is not always caused by the companies not meeting the alignment criteria themselves, but in some cases, they could not classify investments as aligned due to not receiving the required information from the supplier. Out of those companies who reported CapEx from purchase of output, 28% explained how they evaluated Taxonomy-alignment at the level of the supplier they obtained the output from. 18% of the companies reporting CapEx from purchase of output stated that the information required to assess Taxonomy-alignment could not be obtained from the supplier. Another category of CapEx is 'CapEx category b.' which allows companies to report investments that occurred as part of a plan to expand their aligned activities. However, similar to the previous reporting period, 85% of the companies in our sample did not report having a CapEx-plan. Some companies may have counted investments that occurred as part of a CapEx-plan into their alignment KPI and simply did not disclose this. Others may just not have made use of the possibility to report investments that occurred as part of a CapEx-plan but only reported investments into existing assets. A reason for the companies not being able to report aligned investments from a CapEx-plan may be that the requirements for such plans, both in terms of the setup of the plan itself and the corresponding disclosure requirements, may be difficult to fulfill.

OpEx KPI

In regard to the OpEx KPI we found that 71% of all companies in our sample reported eligible OpEx greater than zero, which is more than we found in last year's study when it was only 59%. The number is, however, still lower than the number of companies that reported eligible turnover and CapEx. This may be due to some companies making use of the materiality exemption, which allows them to not report their eligible and aligned percentages when OpEx is deemed not material for their business model. We found that 20% of the companies in our sample stated that they have used the materiality exemption and therefore have not reported their OpEx KPIs. Out of the companies that did show eligible OpEx greater than zero, the average reported eligible OpEx was 45% and the average reported aligned OpEx was 25%. Those numbers are similar to the ones we found for the last reporting period, where it was 41% and 27% respectively. Looking at all companies, including those reporting zero eligible and aligned OpEx, the averages were 32% and 12% for eligibility and alignment respectively.

The following sectors disclosed the highest eligible/aligned OpEx. In the below averages all companies were included (independent of them reporting eligibility/alignment equal to or greater than zero).

Average eligible OpEx

Real Estate
91%

Automobiles and Parts
79%

Utilities
75%

Average aligned OpEx

Utilities
65%

Real Estate
28%

Automobiles and Parts
23%

KPIs overall and industry coverage

Our analysis of reported KPIs showed that companies whose core business activities are not Taxonomy-eligible may still find that they have eligible and potentially aligned CapEx and OpEx. We found that 74% of all companies in our sample reported eligible CapEx and/or OpEx in activities for which they did not report any eligible turnover. This indicates that most companies evaluate all KPIs independently from each other, instead of only disclosing CapEx and OpEx for their main turnover generating activities.

Nevertheless, we were also looking at which industries' core business activities were covered by the EU Taxonomy, meaning they could report eligible and potentially aligned turnover, and which were not. It was particularly of interest, whether considerable changes can be observed since the introduction of the four new environmental objectives.

74%
of all companies in our sample reported eligible CapEx and/or OpEx in activities for which they did not report any eligible turnover.

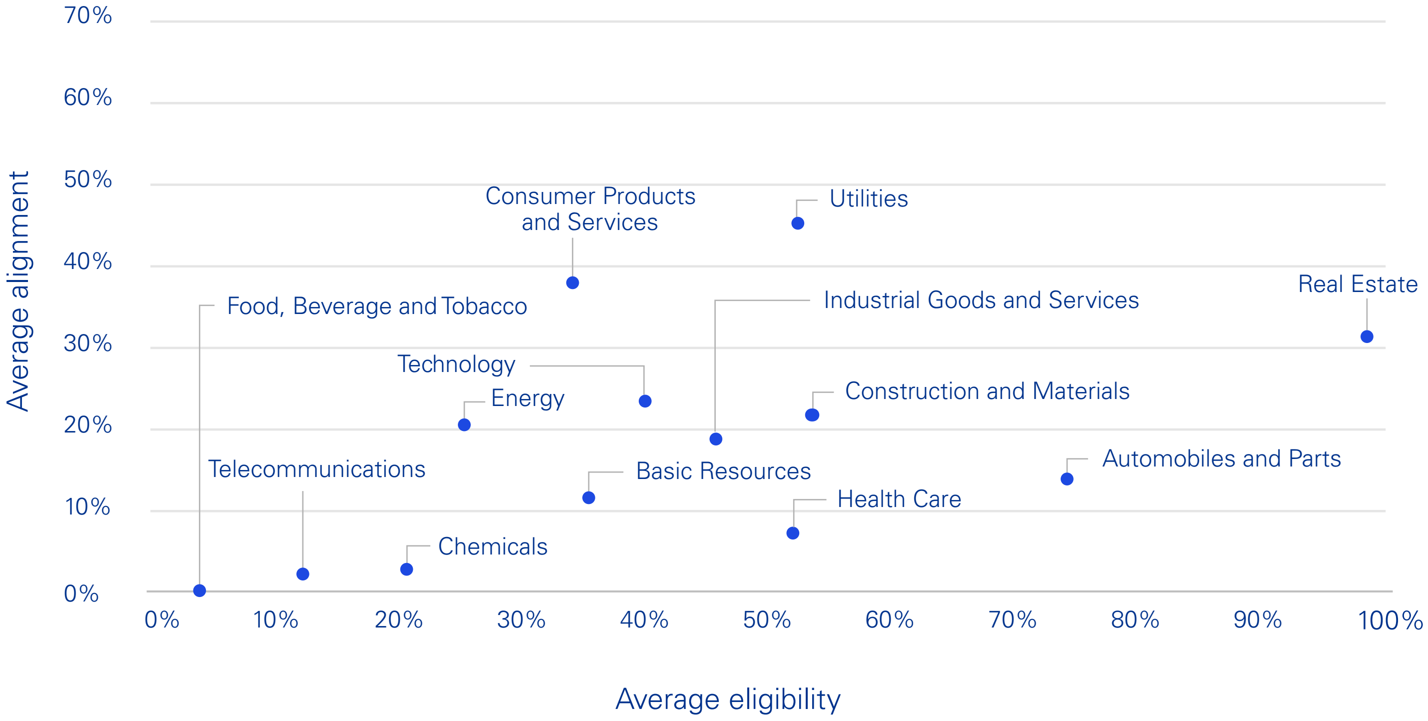
The table below shows a comparison between the average reported eligible turnover in FY 2023 and the average reported eligible turnover in the previous reporting period, FY 2022. The averages only include KPIs that were greater than zero.

Industry	Average eligible turnover 2023	Average eligible turnover 2022	Difference between 2023 and 2022
Automobiles and Parts	74%	62%	+12pp
Basic Resources	35%	26%	+9pp
Chemicals	21%	25%	-4pp
Construction and Materials	54%	47%	+7pp
Consumer Products and Services	34%	17%	+17pp
Energy	26%	30%	-4pp
Food, Beverage and Tobacco	4%	7%	-3pp
Health Care	52%	1%	+51pp
Industrial Goods and Services	46%	36%	+10pp
Real Estate	98%	95%	+3pp
Technology	40%	20%	+20pp
Telecommunications	13%	4%	+9pp
Utilities	52%	51%	+1pp

In last year’s study on the disclosures for reporting year 2022, the sectors ‘Health Care’, ‘Telecommunications’ and ‘Food, Beverage and Tobacco’ showed extremely low numbers for eligible turnover (1%, 4% and 7% respectively), which indicated that their business model was effectively not covered by the EU taxonomy when it only included activities for the objectives ‘Climate change mitigation’ and ‘Climate change adaptation’. With the introduction of activities in relation to the four other objectives for the reporting year 2023, we see that ‘Health Care’ shows much higher eligibility numbers, while the ‘Telecommunications’ numbers only rose slightly and ‘Food, Beverage and Tobacco’ shows an even lower average eligible turnover close to zero. We overall see, however, that most industries report higher average eligible turnover than last year, indicating that overall, more business activities are now covered by the EU taxonomy. Besides ‘Health Care’, especially the industries ‘Consumer Products and Services‘, ‘Industrial Goods and Services’ and ‘Technology’ show considerably higher average eligibility compared to the previous reporting period.

The graphic below shows the average turnover KPIs for Taxonomy-eligibility and alignment for the different industries. The averages only include KPIs that were greater than zero.

Average turnover KPIs per industry



Despite overall higher average eligibility numbers compared to the previous reporting period, many industry averages can still be found in the lower left corner of the diagram, indicating that a lot of industries' business models are still not or only partly covered by the EU Taxonomy. The 'Real Estate' sector showing in the far right with an average eligible turnover of over 90%, like last year, shows the highest average eligibility. The sectors 'Utilities' and 'Consumer Products and Services' can be found in the middle of the diagram, showing an average eligible turnover of 52% and 34% respectively and a comparably high share of Taxonomy-aligned turnover. This indicates that those sectors not only have the potential, but actually contribute to the Taxonomy's environmental objectives. In contrast, the Automobiles and Parts sector has a higher average eligible turnover but a significantly lower average aligned turnover.

Qualitative disclosures

Within their EU Taxonomy reports, companies are obliged to provide accompanying qualitative information alongside their disclosures about the share of eligible and aligned turnover, CapEx and OpEx. The details of the requested qualitative disclosures are also specified in the Disclosures Delegated Act. For instance, companies are supposed to elaborate on their accounting policy to shed light on how the KPIs were determined, they should also explain the process of how the technical screening criteria were assessed, and they should give other contextual information relevant for understanding the nature of the KPIs disclosed. In our previous study on EU Taxonomy disclosures about financial year 2022, we found that there was a great variation in the length and quality of companies' qualitative disclosures, although several FAQ documents addressing questions regarding the disclosure requirements had been published by the EU Commission.

This study's analysis of the most recent disclosures showed that the degree of detail in which the assessment of the technical screening criteria was described still varied significantly. We found, for example, that a lot of companies still provide no description as to how they assessed the generic DNSH criteria laid out in Appendix A, B, C and D of the Climate and Environmental Delegated Act. For instance, 190 companies in the sample reported aligned activities under an environmental objective other than 'Climate change adaptation' and were therefore obliged to explain how they conducted the necessary climate risk and vulnerability assessment described in Appendix A as the DNSH criterion for 'Climate change adaptation'. However, out of those companies only 128 or 67% provided the required description of their climate risk and vulnerability assessment. The other 43% therefore did not fulfill this qualitative disclosure requirement.

To report Taxonomy-alignment, companies must not only fulfill the technical screening criteria related to their eligible activities, but they also have to ensure compliance with the minimum safeguards which cover the substantive topics human rights (including labor and consumer rights), bribery, bribe solicitation and extortion, taxation and fair competition. 83% of the companies in our sample that reported aligned activities described how they ensured compliance with the minimum safeguard requirements, which is no significant improvement compared to last year, when we found that 82% of companies provided this mandatory information.

Non-financial undertakings are further required to provide contextual information about their KPIs.

For instance, companies reporting aligned turnover must provide information about their revenue composition, explaining whether there are other sources of income aside

The 'Real Estate' sector showing in the far right with an average eligible turnover of over 90%, like last year, shows the highest average eligibility.

from contracts with customers that drive changes in turnover. Only 69 of the 160 companies reporting aligned turnover, so roughly 43%, provided such information. They are further required to provide contextual information regarding the amounts related to Taxonomy-aligned activities pursued for internal consumption. Only 16 companies, so 1% percent of the companies reporting aligned turnover, have provided this required contextual information. It remains an open question if companies did in fact have no internal consumption or if they were not aware of the requirement to disclose this information. Further, companies have to explain changes in their turnover KPI compared to the previous reporting period. 91 companies, so 31% of all samplecompanies or 57% of those reporting aligned turnover have explained such changes. The rest either did not disclose whether there were changes at all or stated that there were no changes.

In regard to their CapEx KPI, companies are supposed to report a breakdown of the CapEx numerator by assets, differentiating between additions to property, plant and equipment (PPE), intangible assets, investment properties and capitalized right-of-use assets. The undertaking shall separately present additions from business combinations. Of 190 companies reporting aligned activities only 43 companies, so 23%, reported such a breakdown. Companies are further required to disclose which share of their taxonomy-aligned expenses incurred as part of a CapEx-plan. 248 companies did not disclose having a CapEx-plan. Out of the remaining 43 companies that did, 20 companies (so about 47%) provided the required breakdown. Most of them only separated the CapEx-plan activities (CapEx category b.) from the rest, while 3 companies provided a detailed breakdown into all three CapEx categories (a., b., and c.). Like for turnover, companies also must explain changes in their CapEx KPI compared to the previous reporting period. 129 companies, so 44% of all companies in our sample have explained such changes. The rest either did not disclose whether there were changes at all or stated that there were no changes.

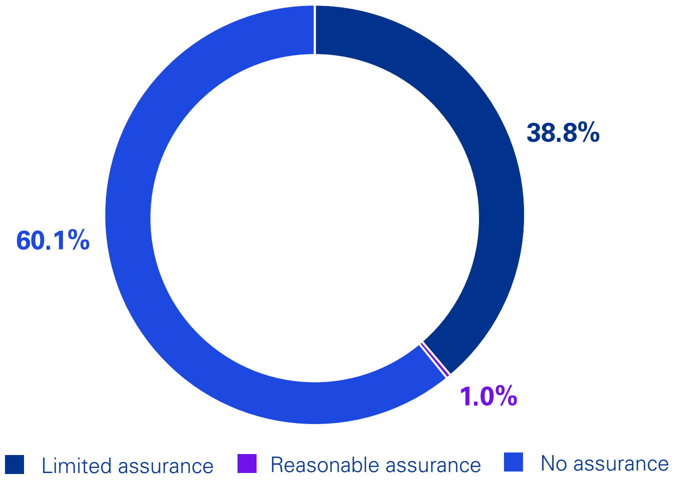
For OpEx, companies are obliged to provide contextual information about the composition of the numerator to illustrate the key elements of their OpEx KPI. Out of the 134 companies reporting aligned OpEx, only 26 companies (19%) explained the key elements of their OpEx numerator. 65 companies, so 22% of all companies in the sample have explained changes regarding their OpEx. The rest either did not disclose whether there were changes at all or stated that there were no changes.

Overall, our analysis on the completeness and quality of the mandatory qualitative disclosures showed that most companies still do not disclose all the qualitative information they are supposed to publish alongside their quantitative disclosures. We did not see an improvement in that regard compared to the previous reporting period. Currently, many companies still seem to focus more on their quantitative figures (i.e. their disclosed KPIs) while, to a certain degree, omitting necessary contextual information that would help explain the respective KPIs.

Taxonomy disclosure in context and level of assurance

Interestingly, we saw a discrepancy between quantitative and qualitative disclosures and the degree of respective improvements compared to the previous reporting period. Overall, more companies report eligible as well as aligned activities, averages of reported KPIs have risen and more companies have used the mandatory reporting templates, which indicates that additional efforts have been taken in eligibility and alignment assessments as well as preparation of the reports in general. However, we found no considerable improvements in regard to the preparation of qualitative disclosures. In this context, it will be interesting to see, whether the completeness of the qualitative disclosures will improve as well, once more companies have their taxonomy disclosures assured. For the reporting period considered in this study, the level of assurance remained similar to last year with around 39% of the sample companies obtaining limited assurance and around 60% obtaining no assurance. These numbers will likely change, however, when a limited assurance will become mandatory from next year onwards with the entry into force of the Corporate Sustainability Reporting Directive (CSRD).

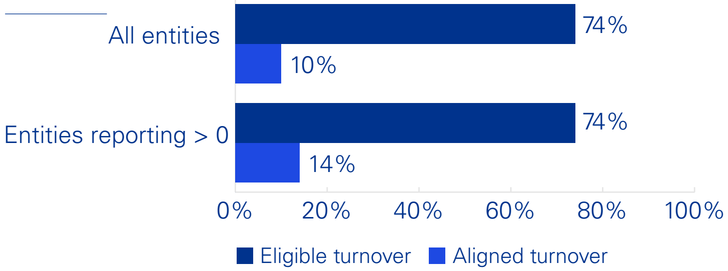
Level of assurance



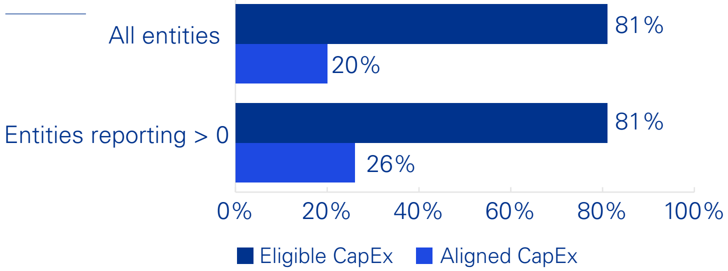
Sector specific insights

Automobiles and parts

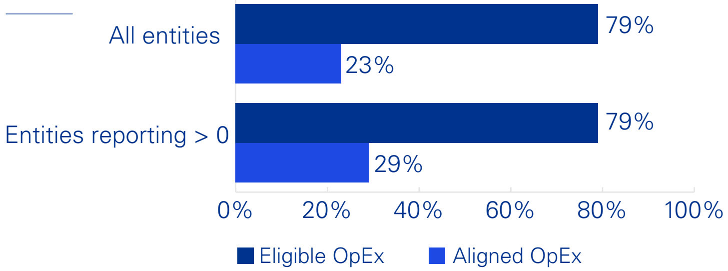
Turnover



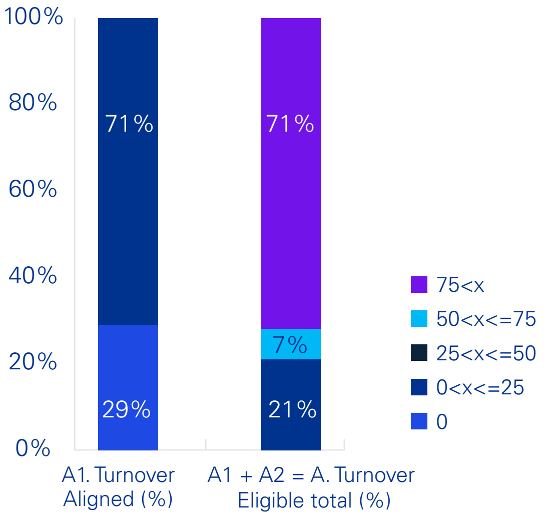
CapEx



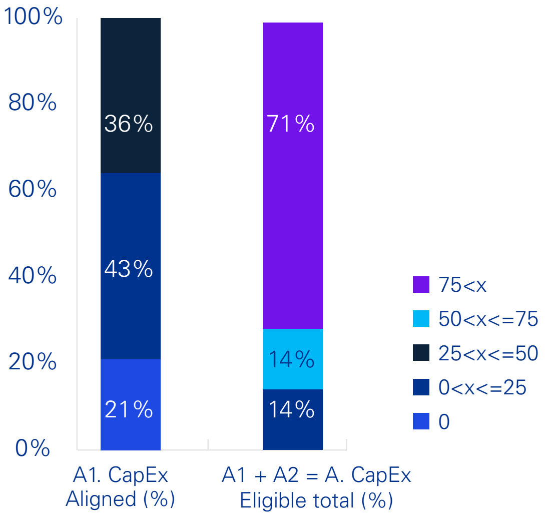
OpEx



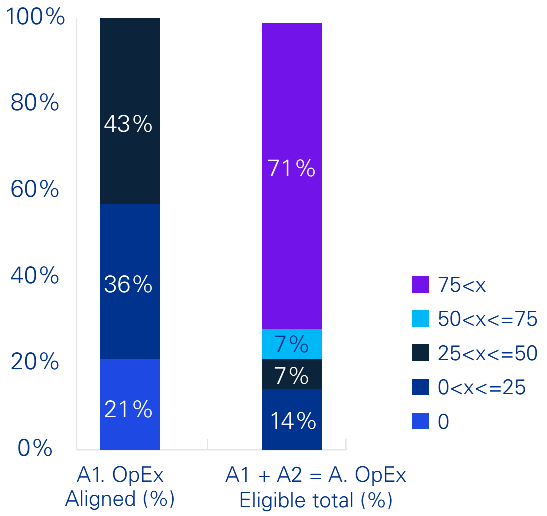
Turnover distribution



CapEx distribution



OpEx distribution



The analysis of the 'Automobiles and Parts' sector in this year's study maintains a consistent sample selection compared to last year's KPMG study, with a total of 14 companies consisting of car manufacturers and suppliers.

In terms of turnover, all companies reported some level of eligible revenue-generating activities, and the average reported eligibility was 74%. The average aligned turnover, however, was only 10% with the majority (11 companies or 79%) reporting aligned turnover below 25%. The most commonly reported activities resulting in aligned turnover included **CCM 3.3 Manufacture of low carbon technologies for transport** (7 companies), **CCM 3.18 Manufacture of automotive and mobility components** (5 companies) and **CCM 3.6 Manufacture of other low carbon technologies** (4 companies).

The average eligible CapEx was 81%, while the average aligned CapEx was 20%. All companies reported some level of eligible CapEx greater than 0% for their activities. 12 companies (86%) reported at least some aligned CapEx with alignment shares of up to 38%. The most frequently identified CapEx activities with reported alignment were **CCM 3.3 Manufacture of low carbon technologies for transport** (8 companies), **CCM 3.6 Manufacture of other low carbon technologies** (4 companies) and **CCM 6.5 Transport by motorbikes, passenger cars and light commercial vehicles** (3 companies). Regarding the contextual information about the CapEx KPI, 3 companies (21%) reported having a CapEx-plan and provided all the required contextual information about it, 6 companies (43%) indicated that they had no CapEx plan in place and 5 companies (36%) did not disclose any contextual information in that regard.

The average OpEx proportions were reported as 79% for eligibility and 23% for alignment. All companies in the sample reported eligible OpEx, which is not surprising given the high number of eligible turnover. Most companies (12 companies or 86%) also reported a certain level of aligned OpEx greater than 0%, half of which reported aligned OpEx below 25% and the other six an alignment number greater than 25% but lower than 50%. Activities that were most frequently identified as having aligned OpEx were **CCM 3.3 Manufacture of low carbon technologies for transport** (8 companies) and **CCM 3.6 Manufacture of other low carbon technologies** (4 companies).

When analyzing the data for 2023, we noticed a remarkable increase in the average eligible and aligned KPIs compared to 2022. Specifically, the reported average eligible turnover, CapEx, and OpEx for 2023 saw increases of 16 percentage points, 12 percentage points, and 12 percentage points respectively. Meanwhile, the average aligned turnover, CapEx, and OpEx experienced growths of 6 percentage points, 8 percentage points, and 8 percentage points respectively. This significant change can be attributed to the inclusion of new activities, particularly **CCM 3.18 Manufacture of automotive and mobility components**, which is highly relevant for the sector of 'Automobiles and Parts'.

Overall, the reported activities of the 'Automobiles and Parts' sector include activities contributing to the environmental objectives of climate change mitigation, climate change adaptation, and circular economy. Notably, the greatest alignment was reported for climate change mitigation activities. Most companies (9 companies or 64%) did not explain why their identified eligible activities were not aligned. For the other 5 companies or 36% that did give an explanation as to why activities were not aligned, not meeting the substantial contribution criteria or a lack of assessment were the most common reasons. It is noteworthy that most companies (8 or 57%) linked their EU Taxonomy disclosures to their business strategy, of which 6 companies made a general link and 2 made a detailed link. Regarding the assurance type, 7 of the 14 companies (50%) obtained limited assurance, while the other half did not have their reports assured.

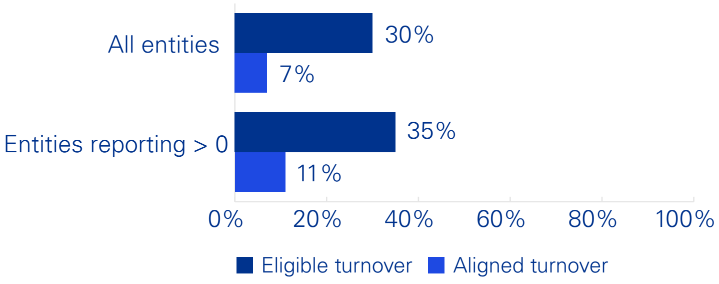
In conclusion, the 'Automobiles and Parts' sector exhibited a significantly high proportion of eligible KPIs compared to the overall sample. However, the proportion of aligned KPIs was considerably lower, highlighting a stark contrast. This disparity underscores the challenges that companies in this sector face in meeting the technical screening criteria.

All companies reported some level of eligible CapEx greater than 0% for their activities. 12 companies (86%) reported at least some aligned CapEx with alignment shares of up to

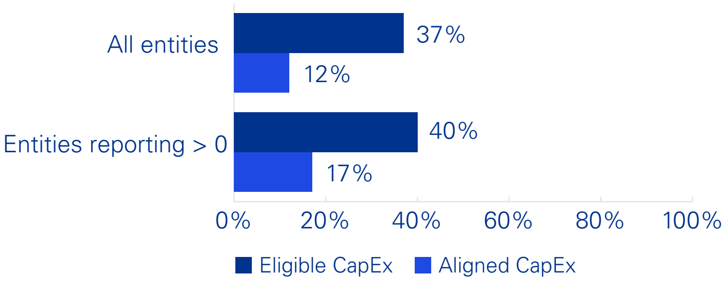
38%

Basic resources

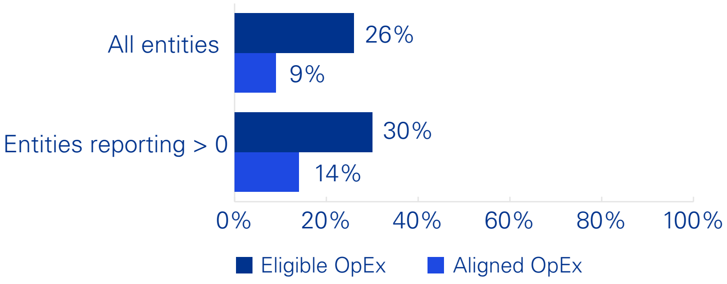
Turnover



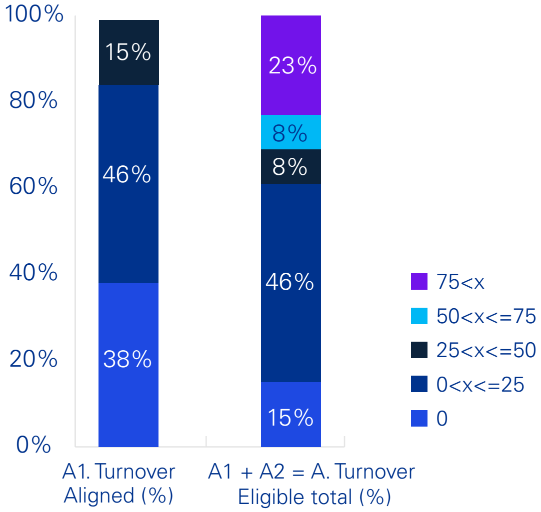
CapEx



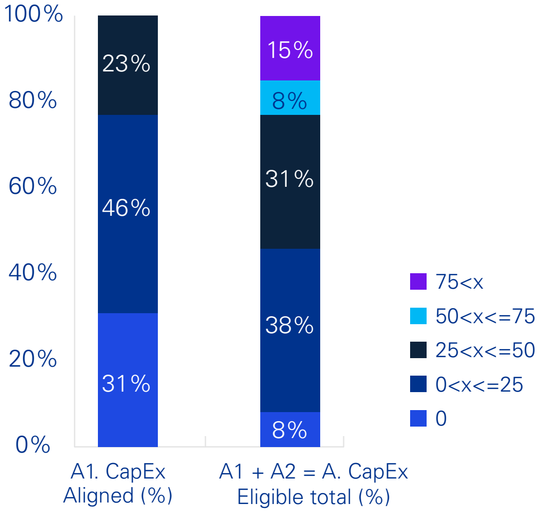
OpEx



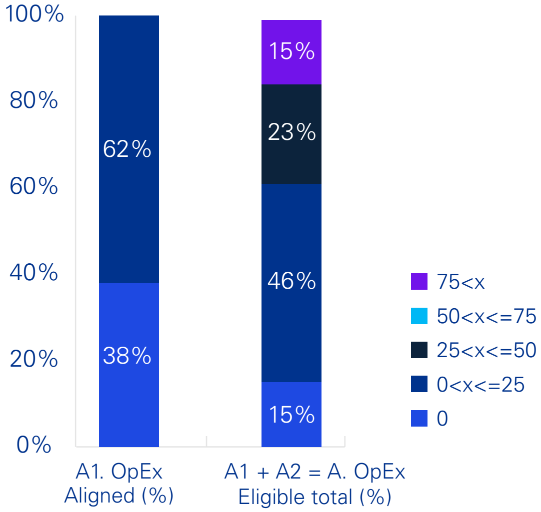
Turnover distribution



CapEx distribution



OpEx distribution



The 'Basic Resources' sector sample comprises 13 companies, with 6 belonging to the Industry Material sub-sector and 7 to the Industrial Metals and Mining sub-sector.

In financial year 2023, the average reported eligible turnover was 30%, and the average aligned turnover was 7%. A majority of companies (11 or 85%) reported eligible turnover greater than 0%, and over half (8 or 62%) reported some level of alignment greater than 0% as well. Within this group, 6 companies (46%) reported aligned turnover below 25%, while 2 companies (15%) achieved higher alignment, reporting turnover between 25% and 50% for the activities **CCM 3.8 Manufacture of aluminum** and **CCM 3.9 Manufacture of iron and steel**. However, the 2 most commonly reported activities leading to aligned turnover were **CCM 1.3 Forest management** and **CCM 4.20 Cogeneration of heat/cool and power from bioenergy**, each reported by 4 companies.

Regarding CapEx, the average eligibility was reported at 37% and alignment at 12%. A significant share of companies (12 or 92%) reported eligible CapEx above 0%, 9 out of which (69%) also reported aligned CapEx. Among these, 6 reported alignment of up to 25%, and 3 of them of up to 50%. The most common aligned activities included **CCM 1.3 Forest management**, **4.5 CCM Electricity generation from hydropower**, and **CCM 4.20 Cogeneration of heat/cool and power from bioenergy**, each reported by 3 companies. Notably, all companies in this sector-sample stated that they had no CapEx plans.

For OpEx, the average reported eligibility was 26% and average reported alignment was 9%. Eleven companies (85%) reported eligible OpEx above 0%, while 8 companies (62%) reported aligned OpEx activities greater than 0%, all below 25%. The most frequently reported activities for aligned OpEx were identical to those for CapEx, **including CCM 1.3 Forest management, 4.5 CCM Electricity generation from hydropower**, and **CCM 4.20 Cogeneration of heat/cool and power from bioenergy**, each reported by 3 companies. The materiality exemption for OpEx was utilized by one company (8%), with a threshold of 0.08 percent of total operating expenses.

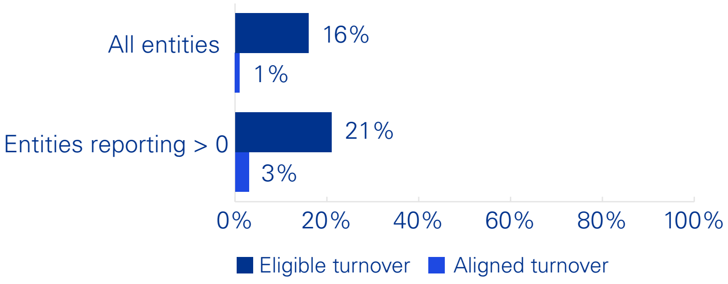
Compared to 2022, there was a notable increase in eligible turnover and CapEx in 2023, rising by 11 and 10 percentage points respectively. However, eligible OpEx experienced only a modest increase of 2 percentage points. Despite the addition of newly added activities reported by several companies, there was no significant change in the average proportions of aligned KPIs yet. Specifically, the average proportions of aligned OpEx and turnover saw minimal increases of 1 percentage point, and the aligned CapEx remained unchanged.

Regarding the contextual information on why eligible activities were not aligned, only 4 companies (31%) provided related explanations. Among them, two companies cited a lack of substantial contribution from the activities, one company did not perform any assessment and one stated that the non-alignment was due to failing to meet the minimum safeguards. The majority of companies (62%) obtained limited assurance on their disclosures, while the remaining (38%) did not obtain any assurance.

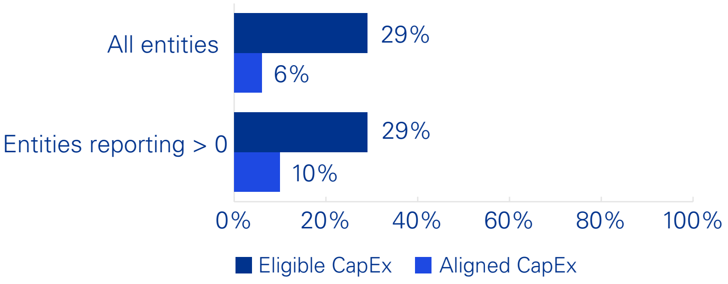
In conclusion, the 'Basic Resources' sector has shown a mix of progress and challenges over the past year. While there have been improvements in aligning with environmental and sustainability goals, obstacles still seem to exist. The sector has demonstrated a commitment to improving its practices, as seen in the gradual increase in aligned KPIs. However, the differences in alignment among companies suggest that there is still room for improvement and a need for more consistent adoption of sustainable practices.

Chemicals

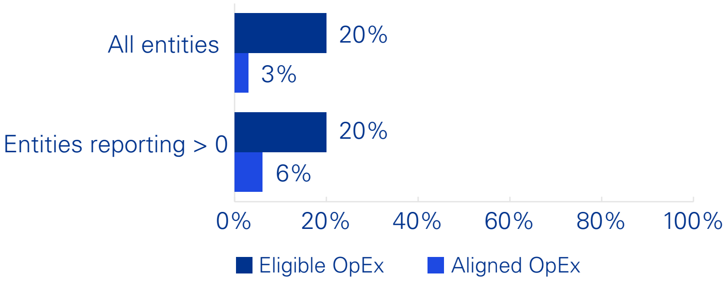
Turnover



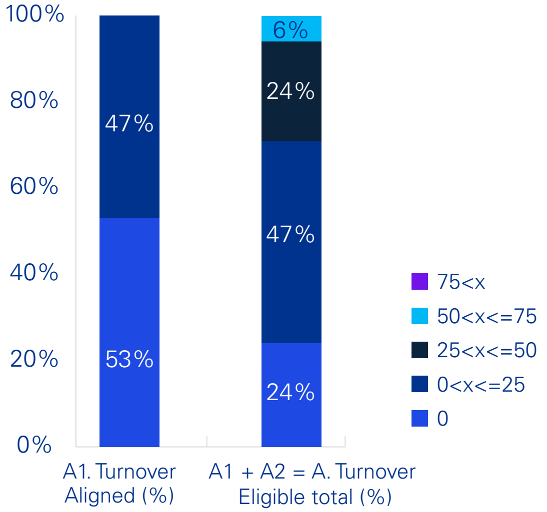
CapEx



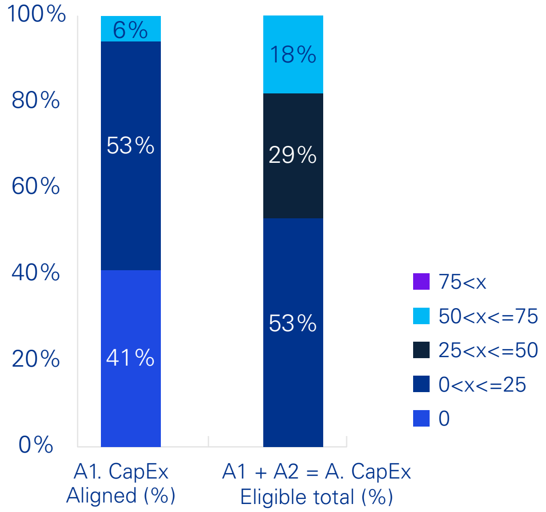
OpEx



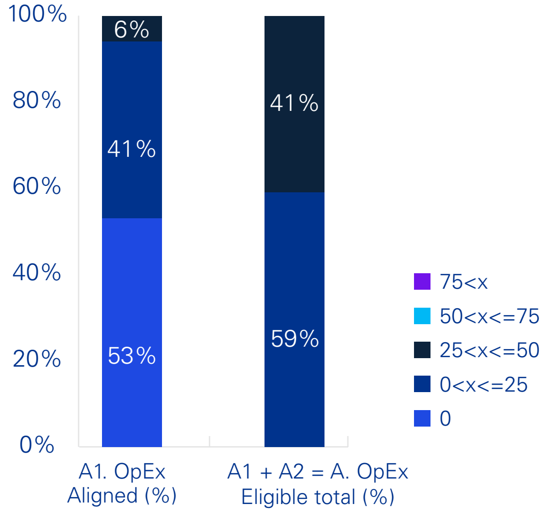
Turnover distribution



CapEx distribution



OpEx distribution



In this year's study, the sample of the 'Chemicals' sector included 17 companies. A majority of these companies, specifically 9 or 53%, are headquartered in Germany, with the remaining firms distributed across the Netherlands (3 companies), Belgium (2 companies), France (2 companies), and Norway (1 company).

In terms of turnover, the average eligibility reported for the reporting period 2023 was 16%, while the average alignment was only 1%. Thirteen companies (76%) reported some eligible turnover above 0%, and 8 companies (47%) disclosed activities with aligned turnover between 0% and 10%. The activities most frequently leading to alignment in turnover were **CCM 3.14 Manufacture of organic basic chemicals** (5 companies) and **CCM 3.4 Manufacture of batteries** (4 companies). This low proportion of aligned turnover highlights the challenges faced by companies in the 'Chemicals' sector in meeting the technical screening criteria for taxonomy alignment.

Regarding CapEx, the average eligibility was reported at 29%, with an average alignment of 6%. All companies reported some level of eligible CapEx above 0%, while aligned CapEx greater than 0% was found in activities of 10 companies (59%), with 9 companies reporting their alignment below 25%. The most commonly reported activities contributing to aligned CapEx were **CCM 3.14 Manufacture of organic basic chemicals** (4 companies) and **CCM 3.17 Manufacture of plastics in primary form** (3 companies). Notably, most companies (13 or 76%) in this sector stated that they had no CapEx plans, and among the remaining 4 companies (24%) with CapEx plans, none disclosed the required contextual information.

In terms of OpEx, the average eligibility was reported at 20%, and the average alignment at 3%. Similar to CapEx, all companies reported eligible OpEx greater than 0%. However, only 8 companies (47%) reported aligned OpEx above 0%, with the majority (7 of the 8 companies) reporting an alignment below 25%. The most frequently reported activities for aligned OpEx in this sector were **CCM 3.17 Manufacture of plastics in primary form** (4 companies) and **CCM 3.4 Manufacture of batteries** (3 companies). Notably, no company applied the materiality exemption for OpEx.

Compared to 2022, only modest increases in the average eligible CapEx and OpEx for the 'Chemicals' sector can be noted. Specifically, the average eligible CapEx saw an increase of 7 percentage points, and the average eligible OpEx rose by 4 percentage points. Conversely, the average eligible turnover even experienced a slight decrease of 1 percentage point. Changes in aligned KPIs were minimal, with an increase of only 1 percentage point in aligned CapEx, while aligned turnover and OpEx remained unchanged. Therefore, the reported KPIs for this sector showed relatively little variation when compared to 2022.

A majority of companies (10 or 59%) provided explanations for why their eligible activities were not aligned. The most commonly cited reasons for non-alignment were a lack of substantial contribution and failure to meet the DNSH criteria.

In terms of assurance, nine companies (53%) obtained limited assurance, while the remaining eight companies did not obtain any assurance for their EU Taxonomy disclosure.

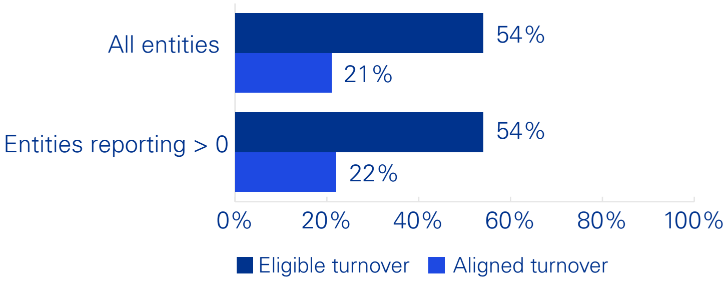
Overall, the Taxonomy-eligible activities reported by the 'Chemicals' sector for 2023 spanned a wide range, including activities contributing to climate mitigation, climate change adaptation, circular economy, pollution prevention and control, and water and marine resources. However, the average KPIs for eligibility and alignment in this sector remained relatively low compared to other sectors. Notably, while most companies reported alignment figures below 10%, one company stood out by reporting significantly higher alignment across all KPIs, with turnover, CapEx, and OpEx at 8%, 66%, and 32% respectively. This suggests that while there are challenges, there may also be opportunities for growth and enhancement in sustainability practices within the sector.

In terms of turnover, the average eligibility reported for the reporting period 2023 was 16%, while the average alignment was only

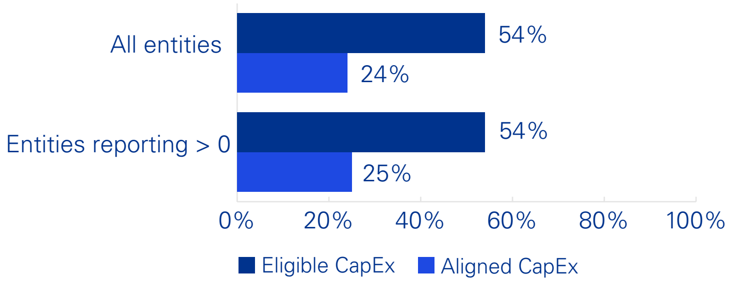
1%.

Construction and materials

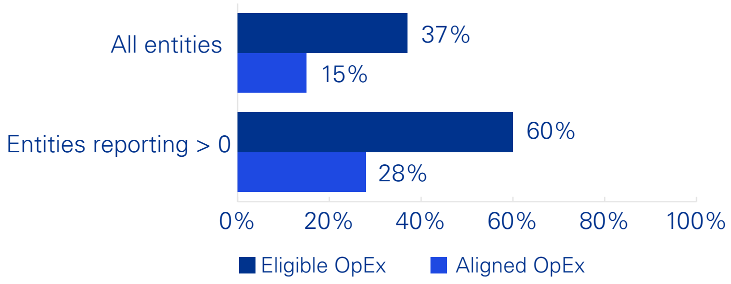
Turnover



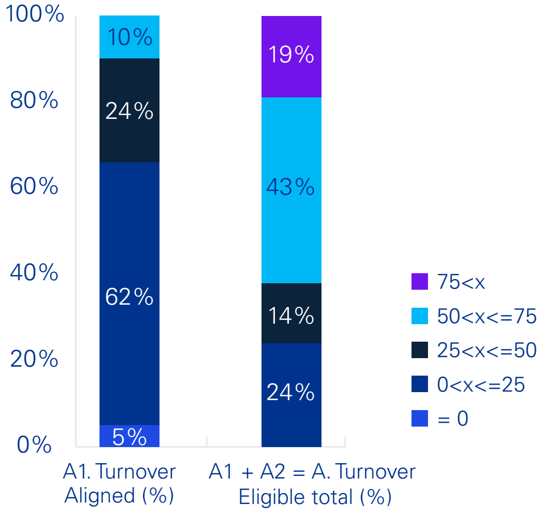
CapEx



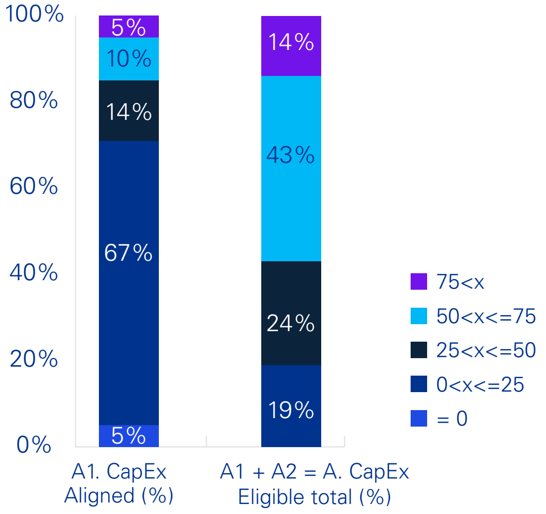
OpEx



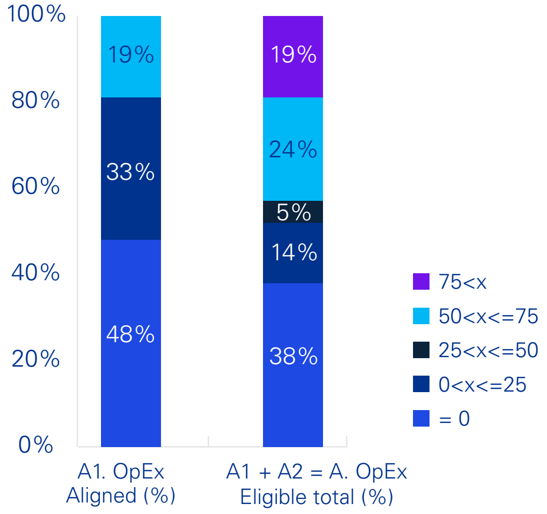
Turnover distribution



CapEx distribution



OpEx distribution



The 'Construction and Materials' sector included a sample of 21 companies, primarily based in France (4 companies), Sweden (4 companies), and the Netherlands (3 companies).

The average eligible turnover for these companies was 54%, while the average aligned turnover was 21%. CapEx showed similar figures, with an average eligibility of 54% and alignment of 24%. Compared to 2022, slight increases of both eligibility and alignment showed. For turnover, eligibility and alignment shares increased by 7 percentage points and 2 percentage points respectively, while CapEx saw increases of 6 percentage points and 3 percentage points.

Conversely, OpEx reported the lowest figures, with 37% average eligibility and 15% average alignment. Although eligibility increased by 5 percentage points, alignment decreased by 2 percentage points compared to 2022. The lower figures for OpEx, compared to turnover and CapEx, are primarily due to a third of the companies utilizing the materiality exemption for OpEx, with thresholds ranging between 0.01% and 0.05%.

For turnover, all companies reported eligible activities, and most companies (20 or 95%) reported some level of alignment as well. The activities most frequently leading to aligned turnover included **CCM 6.14 Infrastructure for rail transport** (11 companies), **CCM 7.1 Construction of new buildings** and **CCM 7.2 Renovation of existing buildings** (8 companies each), and several others including **CCM 4.9 Transmission and distribution of electricity**, **CCM 6.15 Infrastructure enabling low-carbon road transport and public transport**, and **CCM 7.3 Installation, maintenance and repair of energy efficiency equipment** (7 companies each).

Similarly, all companies reported eligible figures for CapEx, and again all except for one also reported some alignment. The most common activities leading to alignment were **CCM 6.14 Infrastructure for rail transport** and **CCM 7.1 Construction of new buildings** (8 companies each), **CCM 4.9 Transmission and distribution of electricity** and **CCM 7.7 Acquisition and ownership of buildings** (7 companies each), **CCM 6.5 Transport by motorbikes, passenger cars and light commercial vehicles** (6 companies) and **6.15 Infrastructure enabling low-carbon road transport and public transport, CCM 7.2 Renovation of existing buildings** and **CCM 7.3 Installation, maintenance and repair of energy efficiency equipment and CCM 5.3 Construction, extension and operation of waste water collection and treatment** (5 companies each). Notably, only one company disclosed information on their CapEx plans for increasing aligned CapEx.

For OpEx, 13 companies (62%) reported eligible and aligned figures, with the most common activities leading to alignment being **CCM 3.5 Manufacture of energy efficiency equipment for buildings** (4 companies) and **CCM 6.14 Infrastructure for rail transport** (3 companies). Seven companies used the materiality exemption for OpEx.

Ten companies (48%) voluntarily provided qualitative information on why eligible activities were not aligned, with three citing the inability to meet one or more DNSH criteria, and five attributing it to multiple reasons including failure to meet DNSH criteria, minimum safeguards requirements, or lack of information for proper assessment.

It is also noteworthy that only 33% of the companies identified at least one economic activity eligible under multiple EU Taxonomy objectives, and if they did, it was primarily under climate change mitigation and adaptation. Although companies are required to continue identifying activities covered by multiple objectives, we saw, for example, that four companies reported eligible activities under **CCM 7.1 Construction of new buildings** without at the same time identifying **CE 3.1 Construction of new buildings** as eligible. Both activities, however, share the same name and description, which means that if one is identified as taxonomy-eligible, the other would automatically have to be classified as eligible as well. This example shows that at least some companies have not properly identified all activities that are eligible under multiple objectives. In terms of assurance, only 5 companies (24%) obtained limited assurance, while the majority did not receive any external assurance for their EU Taxonomy disclosures. This highlights a potential area for improvement in transparency and verification processes within the sector.

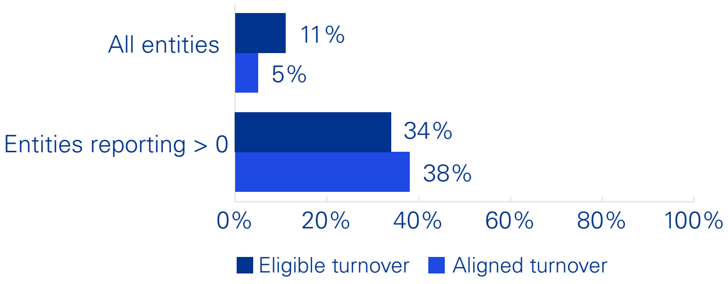
Only

33%

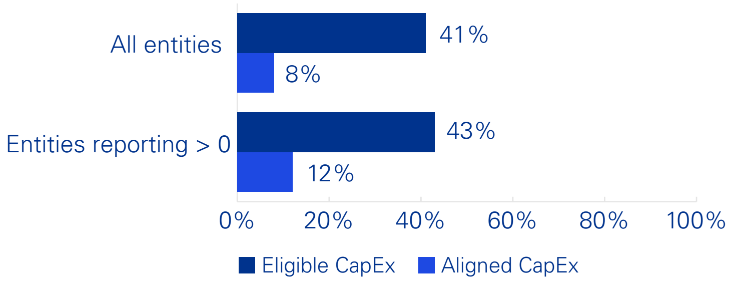
of the companies identified at least one economic activity eligible under multiple EU Taxonomy objectives, and if they did, it was primarily under climate change mitigation and adaptation.

Consumer services and products

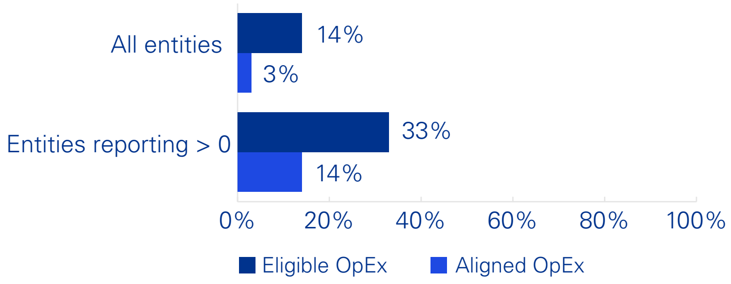
Turnover



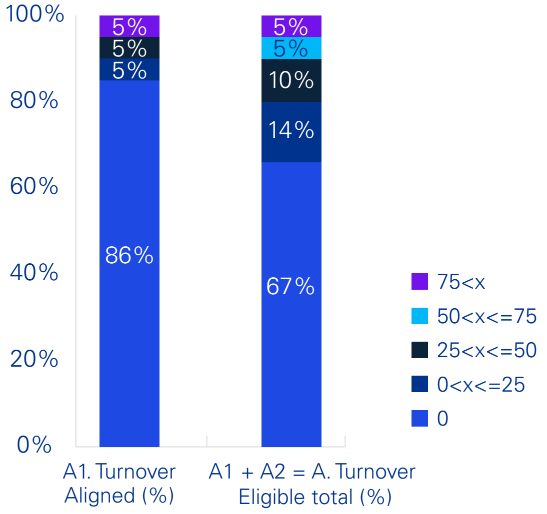
CapEx



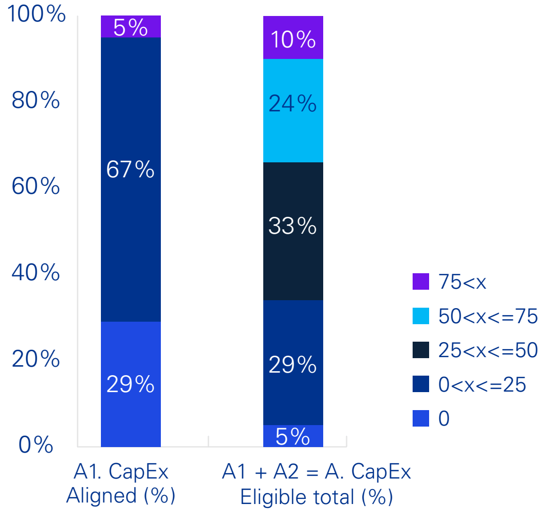
OpEx



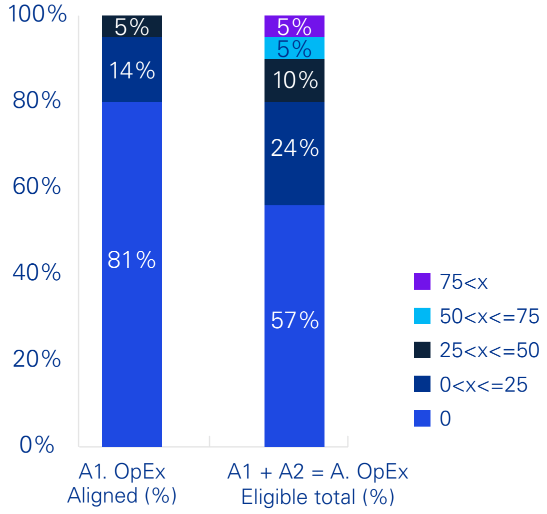
Turnover distribution



CapEx distribution



OpEx distribution



The ‘Consumer Products and Services’ sector sample of this study comprises a diverse group of 21 companies. The largest category, ‘Personal Goods’ includes 12 companies, followed by ‘Household Goods and Home Constructions’ and ‘Consumer Services’ sub-sectors with 4 and 3 companies respectively. The ‘Leisure Goods’ sub-sector rounds out the group with 2 companies.

For 2023, the average reported eligible turnover was 11%, and the average aligned turnover was 5%. Notably, only 7 companies (33%) reported activities with eligible turnover at all, with most companies reporting eligibility below 50%. Furthermore, only 3 companies (14%) reported activities with aligned turnover greater than 0%. Notably, one company is somewhat of an outlier reporting an alignment of 81% for the activity **CCA 8.2 Computer programming, consultancy and related activities** and therefore distorting the average turnover KPIs, which would be even lower otherwise. This also highlights a significant imbalance in this sector, as alignment and eligibility were concentrated among a few companies, while the majority had no eligible or aligned activities.

In terms of CapEx, the average eligibility was reported at 41%, while the average alignment was only 8%. A majority of companies (20 or 95%) reported at least some eligible CapEx, and 15 companies (71%) also reported some level of alignment, although the majority (14 companies or 67%) reports alignment below 25%. Notably, similar to turnover, one company again reported exceptionally high aligned CapEx at 76%. The three most frequently reported activities leading to aligned CapEx were **CCM 7.7 Acquisition and ownership of buildings** (9 companies), **CCM 7.2 Renovation of existing buildings** (9 companies), **CCM 7.3 Installation, maintenance and repair of energy efficiency equipment** (7 companies). This indicates that many companies are actively investing in enhancing the energy efficiency and sustainability of their buildings.

Regarding OpEx, the average eligibility was reported at 14%, and the average alignment at 3%. Nine companies (43%) reported eligible OpEx above 0%, whereas only 4 companies (19%) reported aligned OpEx greater than 0%, with all figures below 30%. Only six activities were reported as contributing to alignment in OpEx, and similar to CapEx, most of these (four) were related to real estate. The low overall numbers of alignment and eligibility were also due to the use of materiality exemptions. Eleven companies (52%) utilized materiality exemptions, with three disclosed applying thresholds between 0.02% and 0.1%.

When comparing the average KPIs reported for 2023 with those from 2022, we noted a modest increase in eligibility and a smaller rise in alignment. Specifically, the average eligible turnover increased by 8 percentage points, eligible CapEx by 6 percentage points, and eligible OpEx by 7 percentage points. The increases in aligned turnover, CapEx, and OpEx were 4 percentage points, 3 percentage points, and 1 percentage point, respectively. These minor increases in eligibility and alignment suggest that there were no significant changes in the business activities of companies within the ‘Consumer Products and Services’ sector, and that the newly added activities had minimal impact on overall eligibility and alignment.

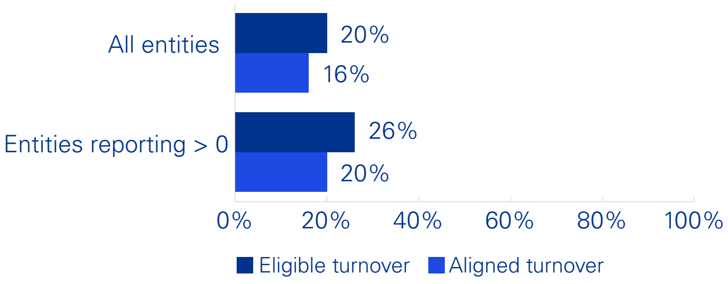
Regarding the reasons for non-alignment, 10 companies (48%) provided explanations, citing lack of substantial contribution and a failure to meet the DNSH criteria as the most common reasons. Seven of the 21 companies (33%) obtained limited assurance, while the remaining 14 (67%) received no assurance.

Overall, the ‘Consumer Products and Services’ sector displayed relatively low eligible and aligned KPIs compared to other sectors. Moreover, there is a significant disparity among companies, particularly for the turnover and the OpEx KPI. While a few companies significantly raise the average eligibility and alignment for turnover and OpEx, many companies had no eligible activities at all.

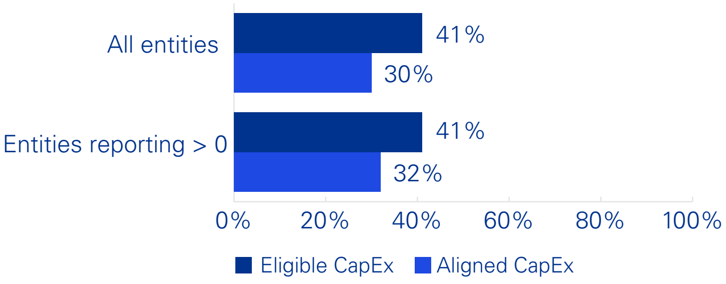
When comparing the average KPIs reported for 2023 with those from 2022, we noted a modest increase in eligibility and a smaller rise in alignment.

Energy

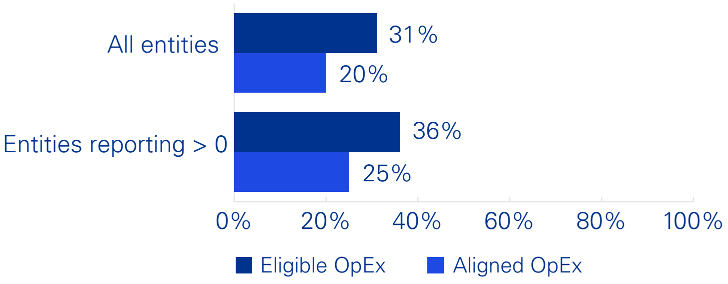
Turnover



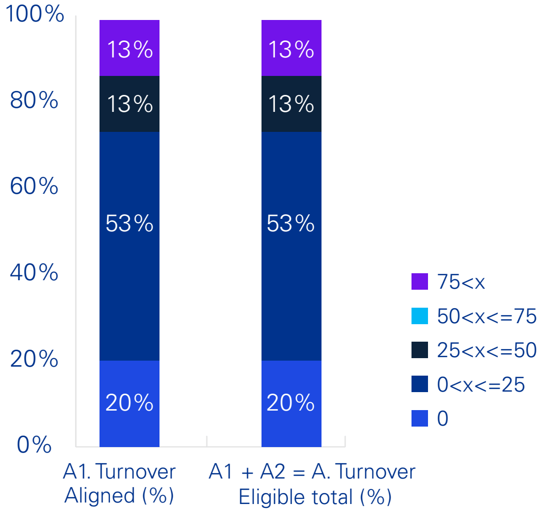
CapEx



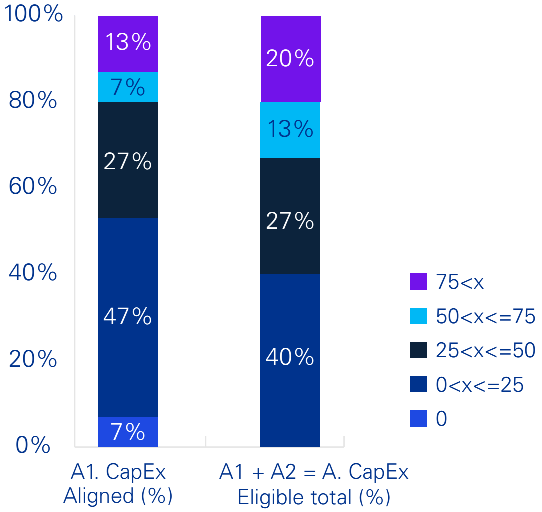
OpEx



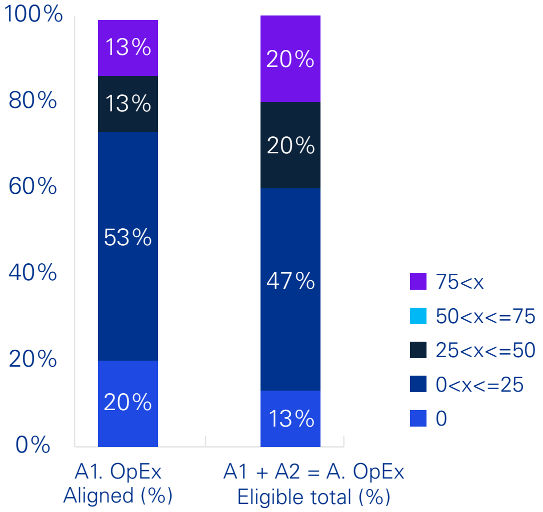
Turnover distribution



CapEx distribution



OpEx distribution



In this study's sample, the sector 'Energy' consists of 15 companies, of which one company is focused on alternative energy and the remaining 14 companies are active in both alternative energy and fossil energy or completely focused on oil/gas/coal activities.

Among the companies in the sector-sample, the average eligible turnover reported for 2023 was 20%, and the average aligned turnover was 16%. The most frequently reported revenue-generating activities resulting in aligned turnover included **CCM 4.3 Electricity generation from wind power, CCM 4.1 Electricity generation using solar photovoltaic technology, CCM 4.3 Electricity generation from wind power** (each 6 companies), and **CCM 4.13 Manufacture of biogas and biofuels for use in transport and of bioliquids** (5 companies). All the aligned activities were related to the climate change mitigation objective.

On average, the eligible CapEx and OpEx were reported as 41% and 31%, respectively, while the alignment proportions were 30% and 20%. For aligned CapEx, the most frequently identified activities were **CCM 4.3 Electricity generation from wind power, CCM 4.13 Manufacture of biogas and biofuels for use in transport and of bioliquids** (both 8 companies) and **CCM 4.1 Electricity generation using solar photovoltaic technology** (9 companies). The identified economic activities were primarily related to the objective of climate change mitigation. As for the composition of the CapEx numerator, 7 companies (47%) reported having a CapEx-plan, only and two of those, however, also disclosed all required explanatory information.

Similar to the other KPIs, the aligned OpEx activities that were most commonly reported related to climate change mitigation and included **CCM 4.3 Electricity generation from wind power** (7 companies), **CCM 4.1 Electricity generation using solar photovoltaic technology** (6 companies) and **CCM 4.13 Manufacture of biogas and biofuels for use in transport and of bioliquids**, and **CCM 6.15 Infrastructure enabling low-carbon road transport and public transport** (both 4 companies). One company used the materiality exemption. This company stated in their text that the OpEx denominator was 1.8% of their total operating expenses, but did not disclose the OpEx KPI table, which goes against guidance from the ESMA enforcement priorities[9] that assert the reporting templates are to be published even if an issuer applies the materiality exemption relating to the OpEx KPI.

Compared to the previous year's findings, there was an overall decline in the reported eligibility and alignment. Specifically, the average eligible turnover, CapEx and OpEx decreased by 10 percentage points, 9 percentage points, and 6 percentage points respectively. Meanwhile, the average aligned turnover and CapEx experienced decreases of 2 percentage points and 3 percentage points respectively, while the aligned OpEx remained unchanged. However, the decreases were primarily attributable to one company reassessing the eligibility of its activities and recalculating its KPIs.

There was great variation in the alignment KPIs reported by companies in the sample, ranging between 0% and 99% for turnover, 0% and 97% for CapEx, and 0% and 92% for OpEx. However, this wide range is mainly due to 2 outlier companies that reported very high alignment figures for all KPIs. The other 13 companies reported aligned KPIs less than 50%, with the exception of one company reporting aligned CapEx as 68%.

Nuclear and fossil gas related activities were identified by 6 (40%) of the companies, of which 4 companies disclosed all templates as prescribed by the Complementary Climate Delegated Act. Three activities related to fossil gaseous fuels were reported as eligible for all KPIs but not aligned.

Out of all companies in the sector-sample, the reasons for not meeting alignment for the identified eligible activities were explained by 5 (33%) companies, which included multiple reasons, a lack of information and not meeting DNSH criteria or the Minimum Safeguards.

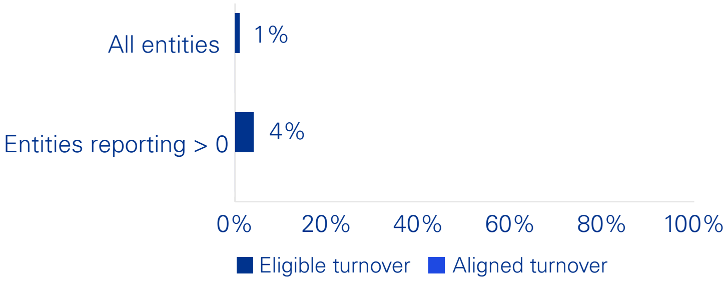
Notably, six (40%) of the companies explicitly linked the EU Taxonomy to their business strategy, with 4 of these companies also disclosing specific EU Taxonomy targets related to the CapEx KPI.

In general, the Energy sector reported higher proportions of the average alignment KPIs compared to the overall sample. Limited assurance on the Taxonomy disclosure was obtained by six out of the fifteen (40%) companies out of the sector-sample.

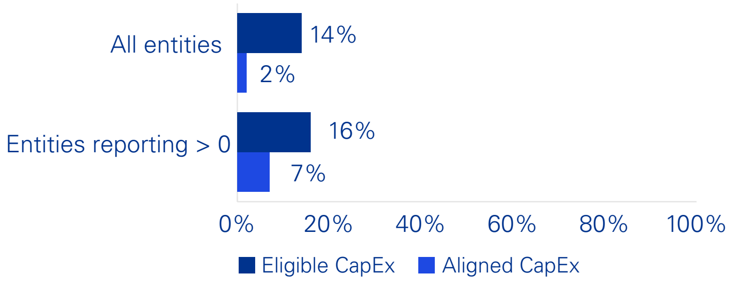
[9] European Securities and Markets Authority (ESMA): European common enforcement priorities for 2023 annual financial reports, 25 October 2023

Food, beverage and tobacco

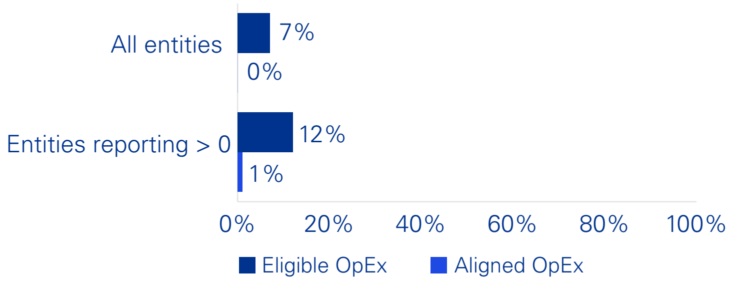
Turnover



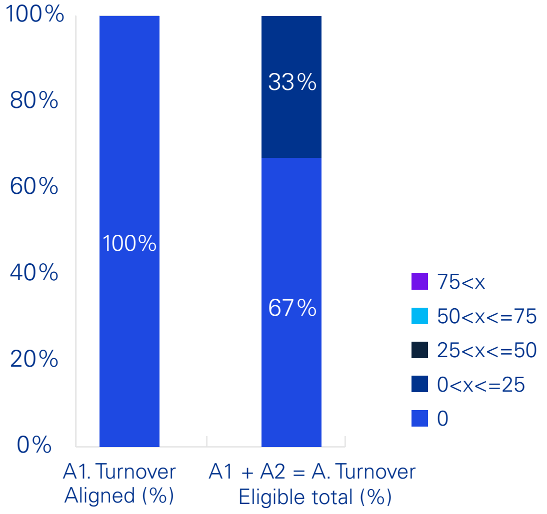
CapEx



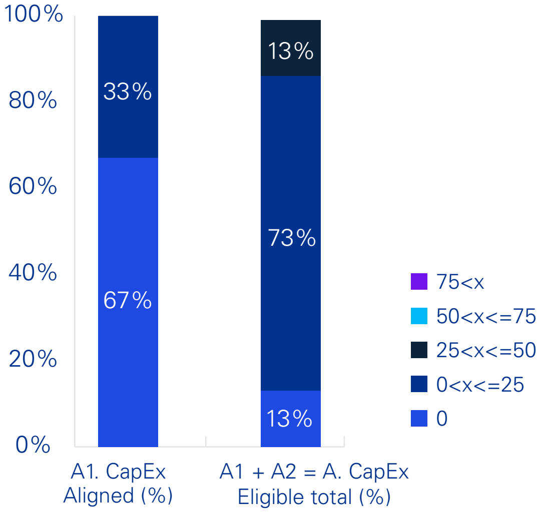
OpEx



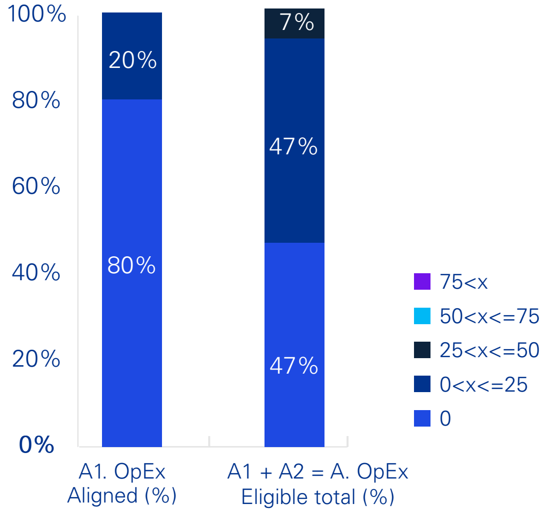
Turnover distribution



CapEx distribution



OpEx distribution



In this year's study, the sample of the 'Food, Beverage and Tobacco' sector included 15 companies distributed across 9 countries of the European Union. In financial year 2022, the average Taxonomy-eligible of those companies' turnover was notably low at less than 0.5%, with only one company reporting a significant eligible turnover of 7%. No other company reported any Taxonomy-aligned turnover. For the financial year 2023 we saw a small increase in the sector's overall coverage by the EU Taxonomy, as the average eligible turnover increased to 1%. This year, five companies reported having an eligible turnover greater than 0%.

The eligible turnover in the 'Food, Beverage and Tobacco' sector spans across 9 different economic activities, including **CCM 3.13 Manufacture of chlorine, BIO 2.1 Hotels, holiday, camping grounds and similar accommodation** and **CE 1.1 Manufacture of plastic packaging goods**. This diversity of activities reflects a high level of heterogeneity within the sector. Nonetheless, despite the introduction of new economic activities through the Environmental Delegated Act, the low eligibility values suggest that the primary business models generating most of the turnover are still not covered by the EU Taxonomy.

In the previous reporting year, the average eligible CapEx was 9%, covering 17 different economic activities, predominantly related to construction and real estate. Notably, 5 out of 15 companies reported an eligibility of 0%. In financial year 2023, there was an increase in the average Taxonomy-eligible CapEx to 14%. This rise can partially be attributed to the introduction of the new economic activities by the Environmental Delegated Act, as 9 of those contribute to an average increase of eligible CapEx.

The most impactful newly introduced economic activity relating to only one environmental objective is **CE 5.5 Product-as-a-service and other circular use and result-oriented service models** with a combined 15% eligible CapEx. With a combined Taxonomy-eligible CapEx of 30%, **CCM 7.1/ CE 3.1 Construction of new buildings** portrays the most relevant economic activity in general. Construction and real estate therefore continue to be the most significant in terms of CapEx eligibility, accounting for 62% of all the eligible CapEx generated by companies of this sector.

However, the average Taxonomy-aligned CapEx remains low at 2%, with 7 companies reporting alignment above 0%. One outlier reports an alignment of 23%, related to economic activity **CCM 4.24 Production of heat/cool from bioenergy**. Other significant economic activities for CapEx alignment include **CCM 7.3 Installation, maintenance and repair of energy efficiency equipment** with a combined alignment of 7% and **CCM 7.6 Installation, maintenance and repair of renewable energy technologies** with a combined alignment of 4%. These numbers underscore a persistent gap between eligibility and alignment, indicating ongoing challenges for companies in meeting the stringent alignment criteria set by the EU Taxonomy.

In financial year 2022, the average reported Taxonomy eligible OpEx was low at 1%, with only four companies disclosing a value higher than 0. The aligned OpEx was even lower at 0.05%. The eligible OpEx covered six different economic activities. By contrast, in the most recent reporting period, there was a substantial increase in the average eligible OpEx to 7%, with eight companies disclosing values higher than 0. The amount of eligible economic activities expanded to 24, including 5 related to economic activities introduced by the Environmental Delegated Act. The economic activities with the most combined eligible OpEx were **CE 5.5 Product-as-a-service and other circular use and result-oriented service models** with 31% and **CCM 7.7 Acquisition and ownership of buildings** with 10%, and **CCM 7.3 Acquisition and ownership of buildings** with 9%. Despite these increases in eligible OpEx, the alignment remained minimal at 0.15% of OpEx, with only three companies disclosing alignment values higher than 0.

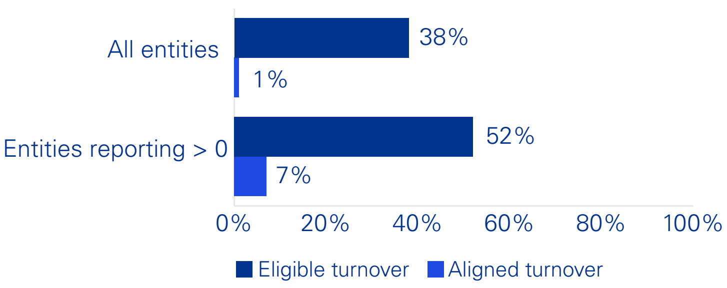
To conclude, it can be stated that companies of the 'Food, Beverage and Tobacco' sector in general disclose relatively low amounts of Taxonomy-eligibility and one of the lowest alignment ratios compared to the other industries. The low turnover eligibility can be attributed to the fact that economic activities related to food or beverage production are currently not covered by the EU Taxonomy (opposed to the draft version of the Environmental Delegated Act). The average low eligibility for CapEx and especially the stark differences between the companies can be attributed to some companies not including CapEx related to Taxonomy-eligible purchase-of-output (CapEx Category c)) into their KPI numerator. This fact highlights that several interpretation issues still exist.

In financial year 2023, there was an increase in the average Taxonomy-eligible CapEx to

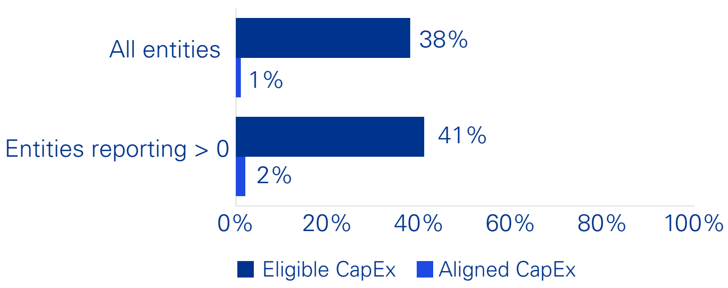
14%.

Health care

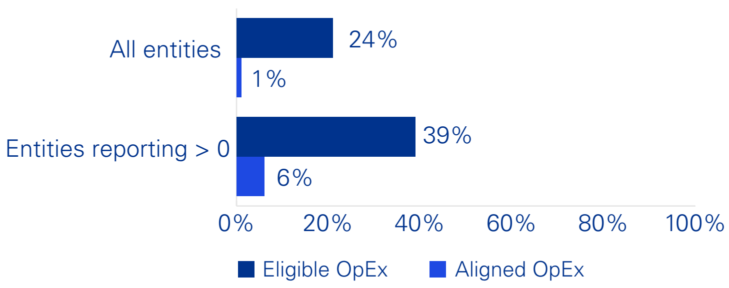
Turnover



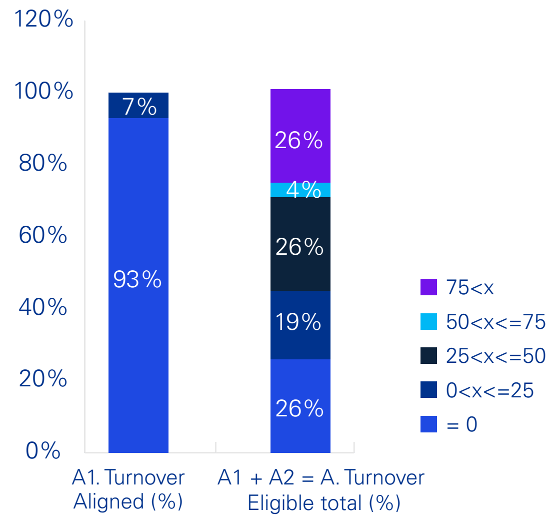
CapEx



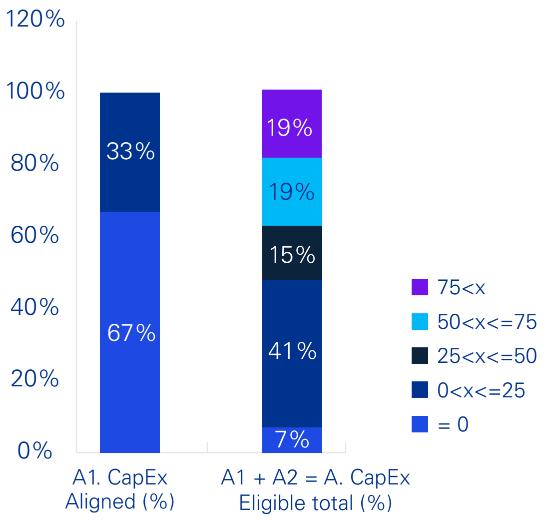
OpEx



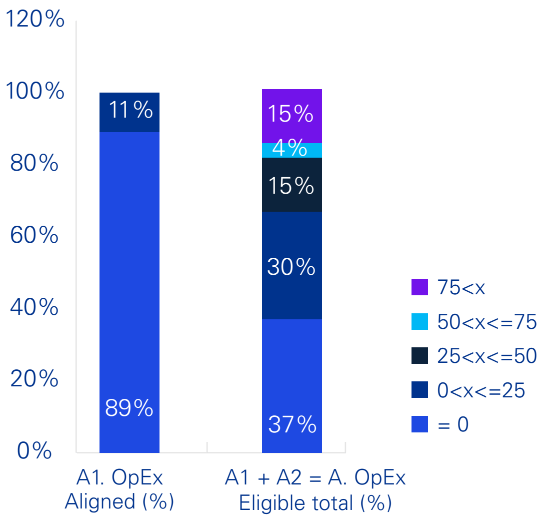
Turnover distribution



CapEx distribution



OpEx distribution



In this study, we analyzed the EU Taxonomy disclosures of 27 healthcare companies headquartered across Europe, including Belgium (1), Germany (7), Denmark (4), Spain (1), Finland (1), France (4), Italy (3), Luxembourg (1), Netherlands (3), and Sweden (2) have been analyzed.

For the financial year 2023, a significant gap was observed between the eligibility and alignment of KPIs. While the average reported eligible turnover was 38%, the average alignment was notably lower at only 0.5%. Out of the 27 companies in the sector-sample, 20 or 74% reported some eligibility, but only 2 (7%) reported any aligned activities. Among these, one company voluntarily reported aligned turnover of 14% under the activity **PPC 2.4 Remediation of contaminated sites and areas**. The most commonly identified eligible economic activities included **CE 1.2 Manufacture of electrical and electronic equipment** (7 companies), **PPC 1.1 Manufacture of active ingredients** (API) or active substances (5 companies), and **CE 5.1 Repair, refurbishment, and remanufacturing** (3 companies), which indicates a high relevance of the newly added activities for the 'Health care' sector.

Similarly, the average eligible CapEx was 38%, but aligned CapEx was only 1%. The most commonly identified eligible activity was the newly added activity **PPC 1.2 Manufacture of medicinal products** (12 companies). While 93% of companies found at least some level eligible activities, only 33% reported any aligned CapEx, with the highest alignment at 11.6% for **PPC 2.4 Remediation of contaminated sites and areas**. The most commonly reported activity leading to aligned CapEx was **CCM 7.3 Installation, maintenance, and repair of energy efficiency equipment** (5 companies). No companies in the sample mentioned having a CapEx plan in place.

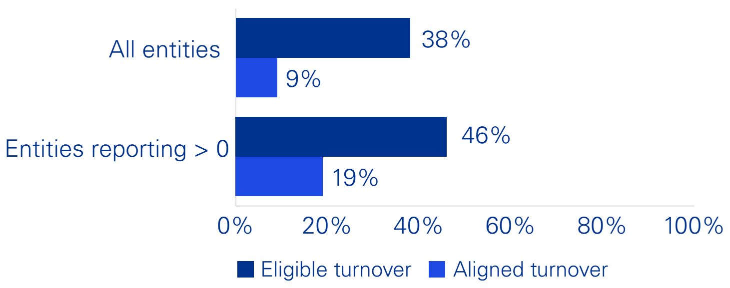
For OpEx, 17 companies (63%) reported eligible activities, the average eligible OpEx being 39%. Only 3 companies reported any aligned OpEx, with all alignment figures being below 25%. Notably, one company voluntarily reported aligned OpEx of 15% under **PPC 2.4 Remediation of contaminated sites and areas**, and the others reported 2% and 0.02% under **CCM 7.7 Acquisition and ownership of buildings** and **CCM 3.5 Manufacture of energy efficiency equipment for buildings** respectively. The most reported activities leading to eligibility in OpEx were **PPC 1.2 Manufacture of medicinal products** (12 companies), **PPC 1.1 Manufacture of APIs** (6 companies), and **CE 1.2 Manufacture of electrical and electronic equipment** (5 companies). Three companies (11%) used materiality exemptions for OpEx, with only one specifying the threshold, which was notably high at 10% of total OpEx.

More than half of the companies (55%) voluntarily provided reasons for non-alignment, not meeting the DNSH criteria and lack of information being the most cited ones. 30% of the companies obtained limited assurance, while the majority (70%) received no assurance for their Taxonomy disclosures.

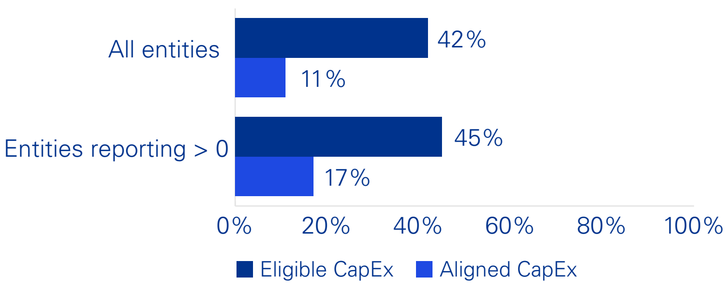
The 'Health Care' sector saw a considerable increase in average eligibility compared to 2022, with eligible turnover and OpEx rising from less than 1% to 38% and 24% respectively, and eligible CapEx from 13% to 38%. This change was largely due to the inclusion of activities contributing to the four non-climate environmental objectives, particularly those under circular economy and pollution prevention and control, which are highly relevant for the sector. Against this backdrop, it will be interesting to see whether the alignment KPIs will also rise in the next reporting year when it becomes mandatory to assess the technical screening criteria and report alignment. While it comes down to the individual ambition level of each company, the low number of companies choosing to already voluntarily report alignment for the newly added activities could indicate that the alignment criteria of the relevant newly added activities may be rather difficult to assess or fulfil.

Industrial goods and services

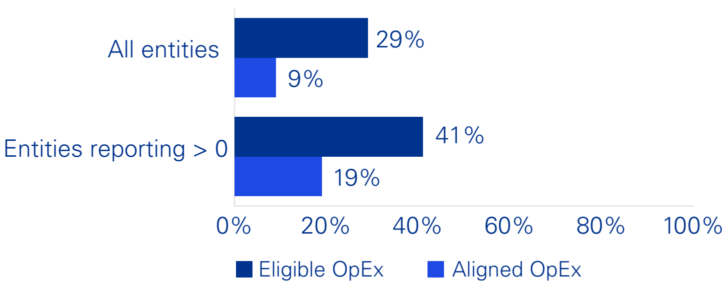
Turnover



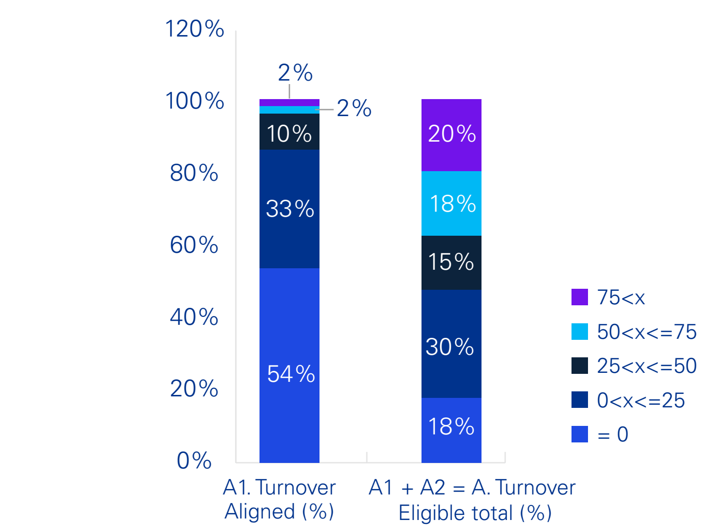
CapEx



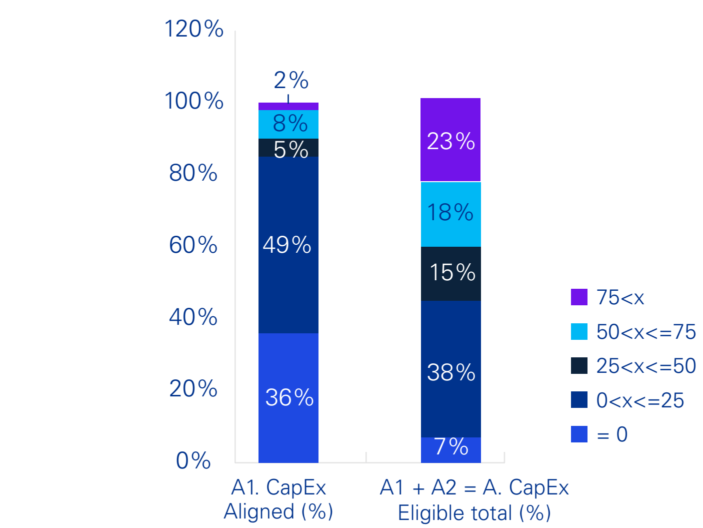
OpEx



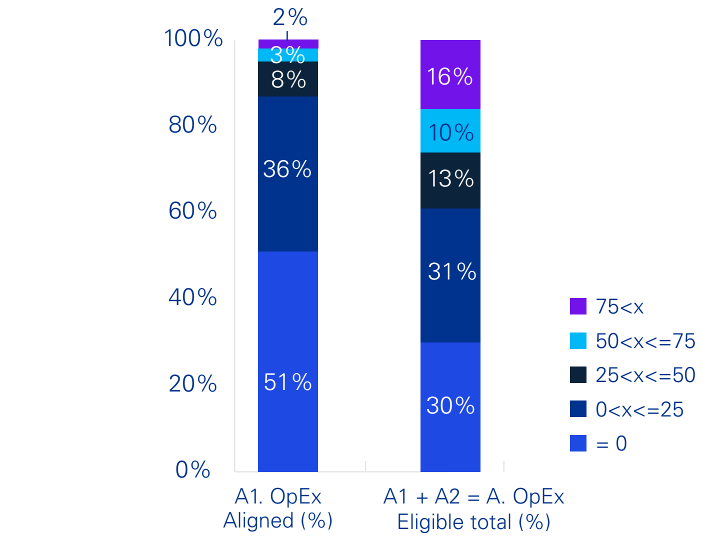
Turnover distribution



CapEx distribution



OpEx distribution



The 'Industrial Goods and Services' sector depicts the largest group in this year's study, with a total of 61 companies. These companies are spread across several subsectors, including industrial engineering (14 companies), industrial transportation (12), industrial support services (10), electronic and electrical equipment (9), and both aerospace and defense and general industrials (8 each). This variety highlights the sector's wide range and complexity.

The average eligible turnover for financial year 2023 was 38%, while the average aligned turnover was only 9%. A substantial 82% of companies, or 50 in total, reported at least some level of eligible turnover above 0%. However, only 30 companies (49%) reported any aligned turnover. Among those that did report aligned turnover, the majority (22 companies) reported an alignment of less than 25%.

The four activities that were most frequently identified as having aligned turnover were **CCM 3.6 Manufacture of other low carbon technologies** (8 companies), **CCM 3.1. Manufacture of renewable energy technologies** (8 companies), **CCM 4.9 Transmission and distribution of electricity** (6 companies), and **CCM 3.5 Manufacture of energy efficiency equipment for buildings** (6 companies). Notably, the most frequently identified eligible but not aligned activity was the newly added circular economy activity **CE 5.1. Repair, refurbishment and remanufacturing**.

The highest numbers out of the three KPIs were reported for CapEx, with 42% average eligibility and 11% average alignment. Most companies (57 or 93%) had at least some eligible CapEx and 40 companies (66%) also reported aligned CapEx above 0%. Within this group, most companies had their aligned CapEx ranging from just above 0% to 25%. The most frequently reported CapEx activities that were also aligned were **CCM 7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)** (14 companies), **CCM 7.3 Installation, maintenance and repair of energy efficiency equipment** (12 companies), and **CCM 7.6 Installation, maintenance and repair of renewable energy technologies** (11 companies). This suggests a significant investment by many companies in enhancing the energy efficiency and sustainability of their facilities. In total, 9 companies reported having CapEx plans, of which 3 provided the necessary information related to these plans.

Concerning OpEx, the average reported eligibility stood at 29%, the average alignment at 9%. A significant majority, 43 companies (70%) showed eligible OpEx and 31 companies (51%) also reported aligned OpEx above 0%. The aligned OpEx covered a broad spectrum, ranging from just above 0% to 94.9%. The most commonly reported aligned OpEx activities were very similar as for turnover, including **CCM 3.6 Manufacture of other low carbon technologies** (7 companies), **CCM 3.1. Manufacture of renewable energy technologies** (7 companies), and **CCM 3.5 Manufacture of energy efficiency equipment for buildings** (5 companies). This suggests a strong link between Taxonomy-relevant OpEx and activities that generate turnover for this sector. Additionally, 12 companies (20%) applied the materiality exemption for OpEx, with nine of them reporting using a threshold of 1% or lower.

Thirty-one companies (51%) disclosed information on why eligible activities were not aligned. The most citied reasons include lack of substantial contribution, failure to fulfill the meet the DNSH criteria and no assessment due to lack of information. Twenty companies (33%) obtained limited assurance for their Taxonomy disclosures, while 41 companies (67%) didn't receive any type of assurance.

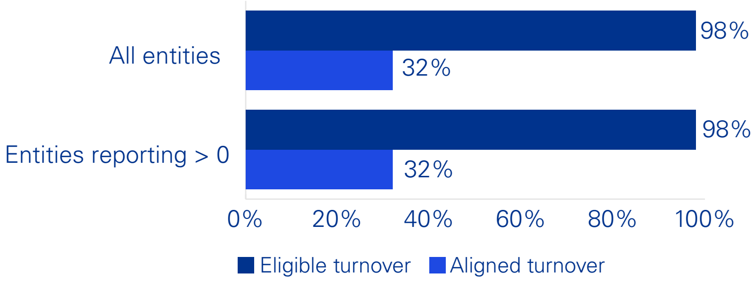
The average eligible turnover for financial year 2023 was 38%, while the average aligned turnover was only

9%.

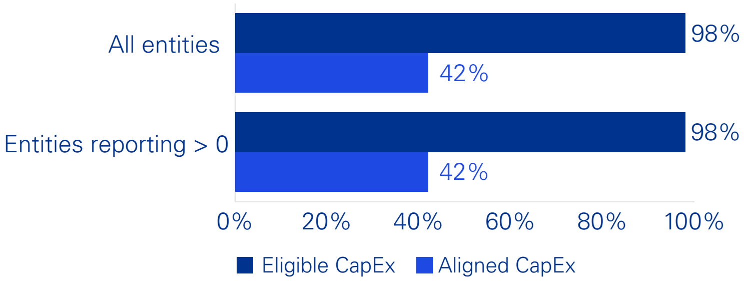
In 2023, the 'Industrial Goods and Services' sector witnessed a notable increase in eligible and aligned KPIs compared to 2022. Specifically, eligible turnover increased by 16 percentage points, eligible CapEx by 9 percentage points, and eligible OpEx by 6 percentage points. In contrast, aligned turnover, CapEx, and OpEx experienced only modest increases, ranging from 1 to 2 percentage points. This significant rise in eligibility KPIs can largely be attributed to the inclusion of new activities under the Environmental Delegated Act, particularly those related to the circular economy, which is especially relevant for companies producing industrial goods. Overall alignment is expected to rise in the next reporting period when an alignment assessment is also required for the newly added activities.

Real estate

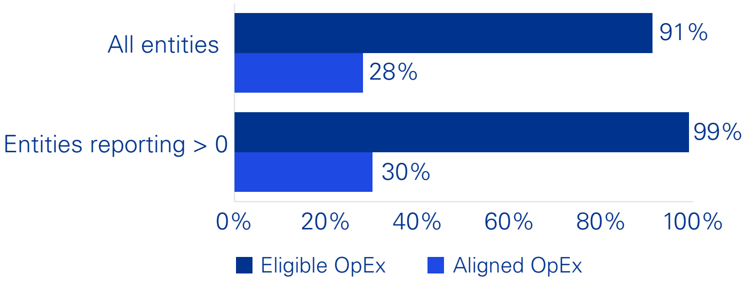
Turnover



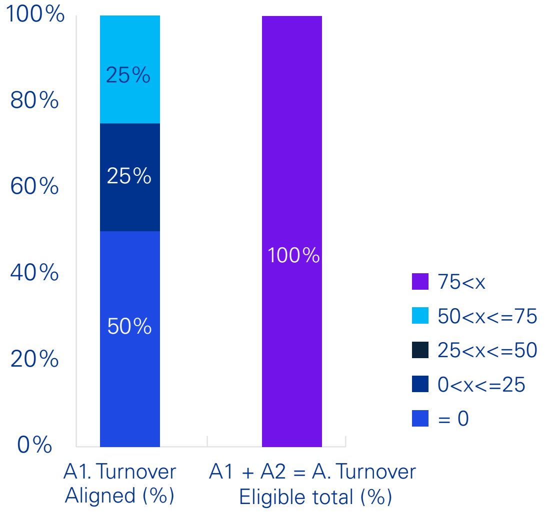
CapEx



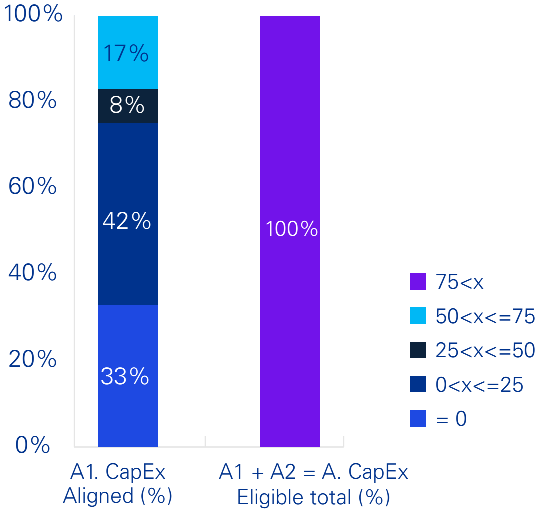
OpEx



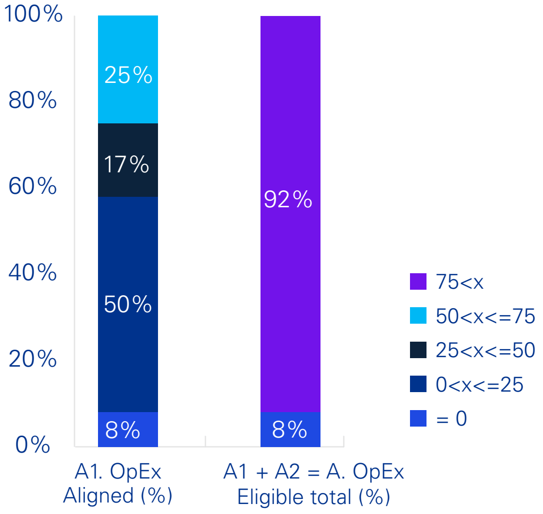
Turnover distribution



CapEx distribution



OpEx distribution



The sector-sample for the 'Real Estate' industry included 12 companies, which are incorporated in Sweden (5 companies), France (3 companies), Germany (3 companies) and Finland (1 company).

The industry showcased the highest proportions of eligible turnover, CapEx, and OpEx across all industries. Specifically, the average eligible turnover was reported at 98%, eligible CapEx at 98%, and eligible OpEx at 91%, indicating that nearly all core business activities of the companies in our sector-sample are covered by the EU Taxonomy. The primary activities driving these eligibility scores were **CCM 7.7 Acquisition and ownership of buildings** (reported by 12 companies), **CCM 7.1 Construction of new buildings** (6 companies), and **CCM 7.2 Renovation of existing buildings** (6 companies). Four out of the six companies reporting eligible activities under CCM 7.1 and CCM 7.2 correctly identified those activities as at the same time eligible under **CE 3.1 Construction of new buildings** and **CE 3.2 Renovation of existing buildings** respectively, whereas the other two have not fulfilled their obligation to identify all relevant activities under multiple environmental objectives.

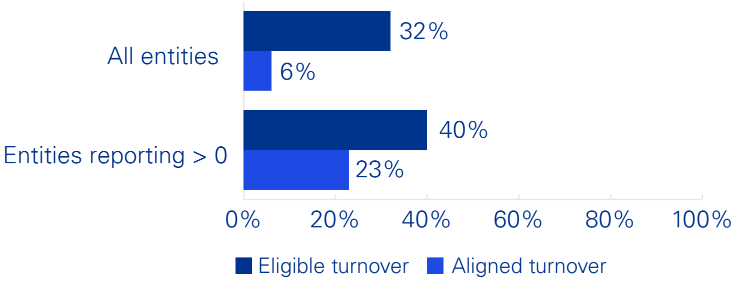
Despite an overall increase in alignment across all KPIs compared to 2022, reported alignment in 2023 remained significantly lower than reported eligibility for all KPIs. Specifically, the average aligned turnover was 32%, aligned OpEx was 28%, and aligned CapEx was slightly higher at 42%. The majority of alignment was attributed to the activity **CCM 7.7 Acquisition and ownership of buildings**, reported by 11 companies for aligned turnover, 12 for aligned CapEx, and 11 for aligned OpEx. The substantial gap between eligibility and alignment primarily stemmed from the fact that most eligible activities either lacked substantial contributions to environmental objectives or failed to meet the DNSH criteria, as reported by 6 out of 7 companies who provided an explanation for non-alignment of their eligible activities.

Most companies (11) did not disclose any information about their CapEx plans. One company applied the OpEx materiality exemption with a threshold of 0.1%. Five of the companies obtained limited assurance for their EU Taxonomy disclosures, while the remaining 7 opted for no assurance.

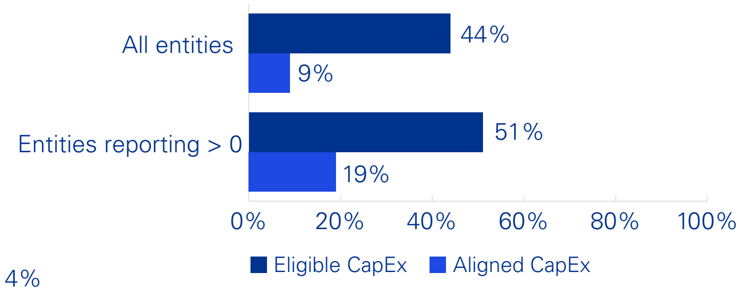
In conclusion, the 'Real Estate' sector has again disclosed high eligibility numbers consistent with its significant potential to contribute in particular to the objectives of climate change mitigation and climate change adaptation. However, the considerable discrepancy between eligibility and alignment indicates that the sector continues to have difficulties in meeting the rather ambitious technical screening criteria. It therefore remains a question if and how quickly companies will implement more sustainable business practices to meet the alignment criteria. Looking to the future, we expect taxonomy-eligible activities to remain high and it will be interesting to see whether the proportion of taxonomy-aligned activities increases to close the gap to the high eligibility figures.

Technology

Turnover

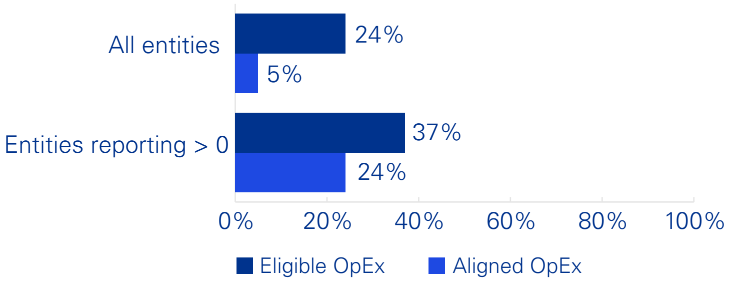


CapEx

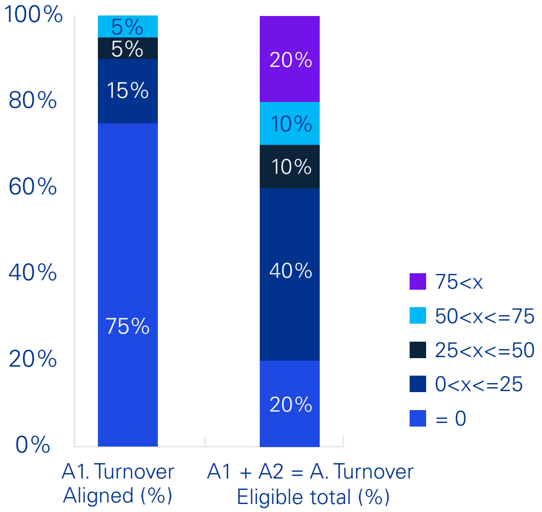


4%

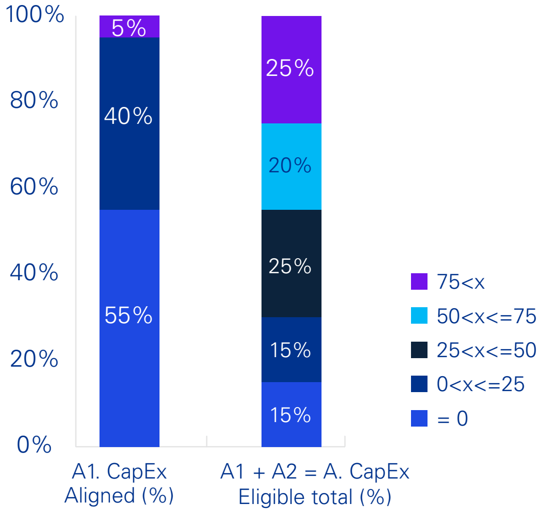
OpEx



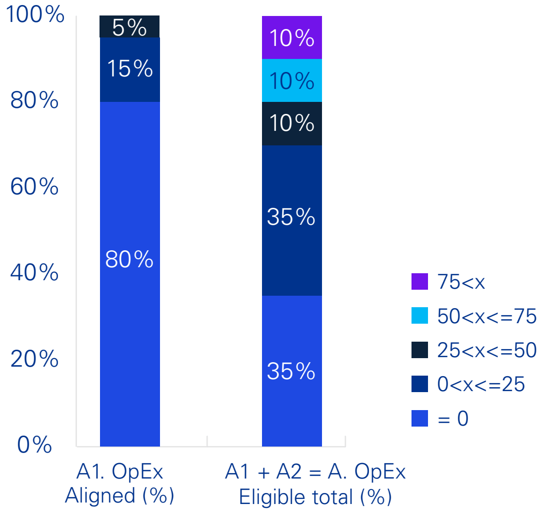
Turnover distribution



CapEx distribution



OpEx distribution



The sample for the 'Technology' sector includes 20 companies: 5 companies in the Technology Hardware & Equipment sub-sector and the remaining 15 companies in the Software & Computer Services sub-sector.

In comparison to 2022, there was a notable increase in the average proportions of eligibility for turnover, CapEx, and OpEx, which rose by 20 percentage points, 18 percentage points and 12 percentage points respectively. Meanwhile, the average proportions for aligned turnover and CapEx each saw a modest increase of 3 percentage points, while the average aligned OpEx remained unchanged. The higher increase in eligibility can be attributed to the newly added activities under other environmental objectives, especially circular economy, that are relevant for the technology sector. In particular, high eligibility proportions were reported for the activity **CE 1.2 Manufacture of electrical and electronic equipment**. The comparably smaller change in alignment may suggest that companies faced challenges in meeting the alignment criteria. As it was not mandatory to report alignment for the newly added activities, it is likely that alignment criteria have just not been assessed yet.

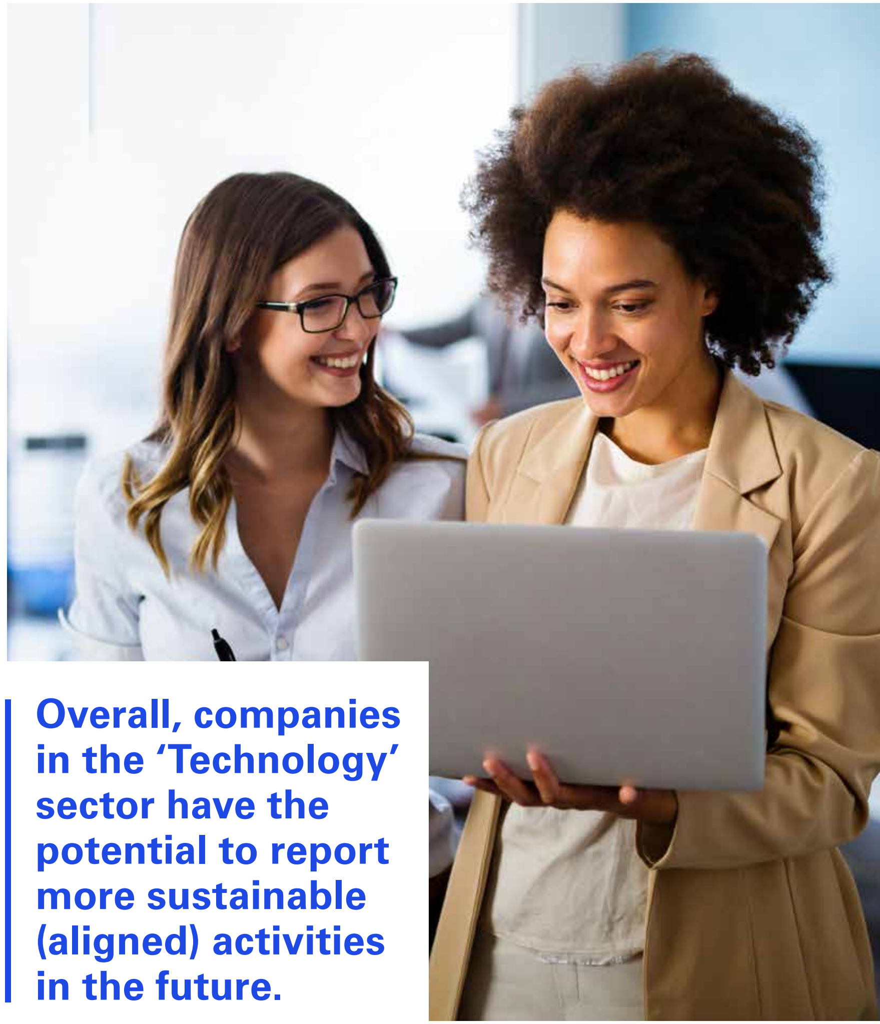
For 2023, the average turnover reported was 32% for eligibility, and 6% for alignment. Most companies (16 or 80%) reported eligible revenue-generating activities above 0%, while only 5 (25%) companies assessed their activities as aligned. The most commonly reported activities resulting in aligned turnover were **CCM 3.6 Manufacture of other low carbon technologies** (2 companies), and **CCM 8.2 Data-driven solutions for GHG emissions reductions** (2 companies). All aligned activities were related to the climate change mitigation objective.

For CapEx, the average eligibility and alignment proportions were reported as 44% and 9%, respectively. Eight companies (40%) reported their aligned activities within the range above 0% and below 25%. One company in the Technology Hardware & Equipment sub-sector reported high aligned CapEx at 79% for the activity **CCM 3.6 Manufacture of other low carbon technologies**. The most frequently identified activity resulting in alignment was **CCM 7.7 Acquisition and ownership of buildings** (4 companies). Most companies (90%) indicated that they had no CapEx plan in place, while one company provided all the required contextual information about its CapEx plan, and one company did not disclose any information.

The average OpEx proportions were reported as 24% for eligibility and 5% for alignment. Only four companies (20%) reported any aligned OpEx at all, 3 out of which reported their aligned OpEx to be below 25%, whereas one company disclosed 65% aligned OpEx for the activity **CCM 3.6 Manufacture of other low carbon technologies**. The materiality exemption for OpEx was used by 5 (25%) of the companies, with thresholds of up to 1% of total operating expenses.

Most companies (16 or 80%) explained why their identified eligible activities were not aligned, stating the main reasons as not meeting the technical screening criteria (Substantial contribution and DNSH criteria). Limited assurance was obtained by six out of the twenty companies (30%).

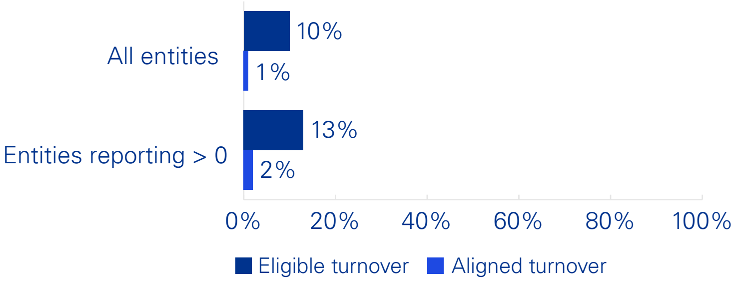
Overall, companies in the 'Technology' sector have the potential to report more sustainable (aligned) activities in the future. Especially with the obligation to perform alignment assessments of the newly added economic activities under the circular economy objective, the KPIs are likely to increase in the upcoming reporting years.



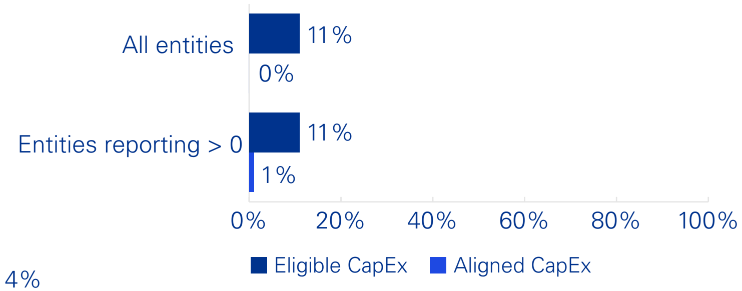
Overall, companies in the 'Technology' sector have the potential to report more sustainable (aligned) activities in the future.

Telecommunications

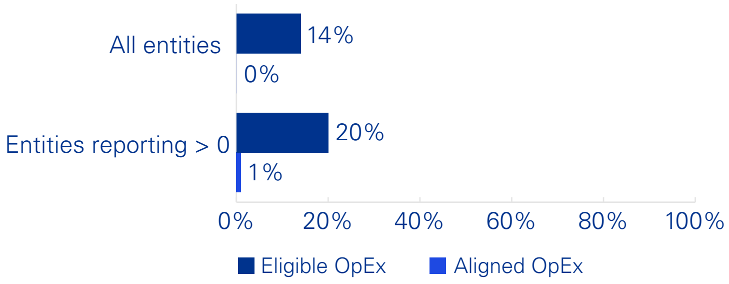
Turnover



CapEx

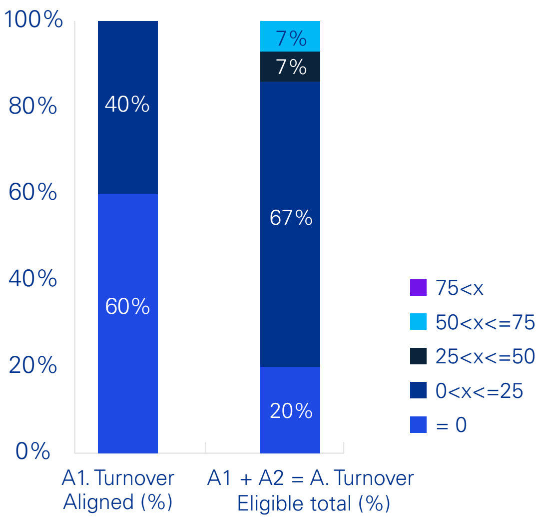


OpEx

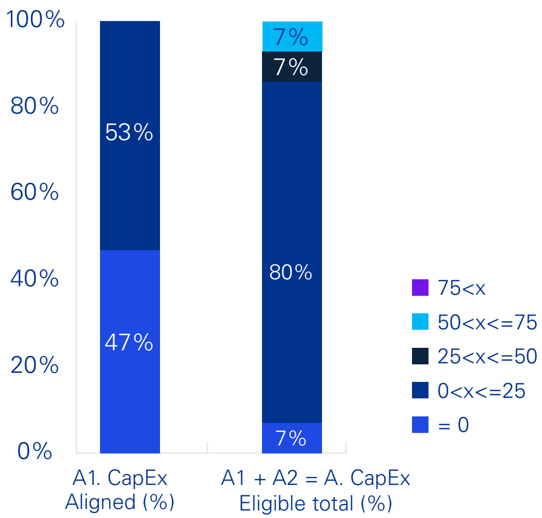


4%

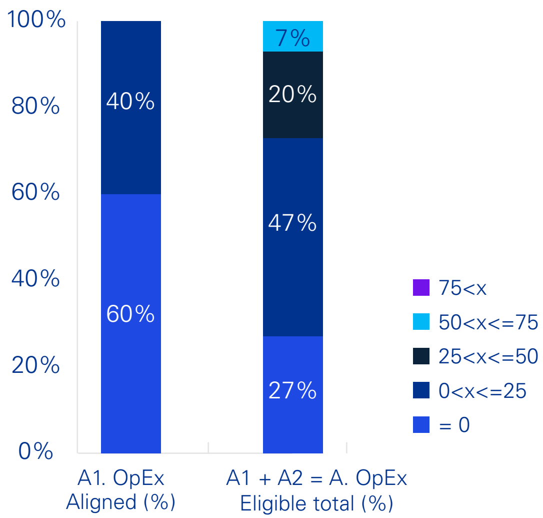
Turnover distribution



CapEx distribution



OpEx distribution



In this year's study, the 'Telecommunication' sector included 15 companies, with 12 operating as telecommunications services providers and the remaining three as telecommunication equipment manufacturers.

Like in the financial year 2022, the average KPIs for eligible activities in this sector remained low in 2023, with even lower figures for aligned activities. Specifically, the average eligible turnover, CapEx, and OpEx were reported at 10%, 11%, and 14% respectively. In contrast, aligned turnover, CapEx, and OpEx were notably minimal at 0.75%, 0.4%, and 0.3% respectively. These low figures suggest that most economic activities within the 'Telecommunications' sector were not covered by the EU Taxonomy, despite the inclusion of new activities aimed at non-climate environmental goals by the Environmental Delegated Act.

For turnover, 12 companies reported eligibility above 0%, while only 6 had any alignment to report. For the companies that did report any, the overall aligned turnover was less than 25%. The most commonly reported activities with aligned turnover included **CCM 8.2 Computer programming, consultancy and related activities** (4 companies), **CCA 8.3 Programming and broadcasting activities** (3 companies), and **CCM 8.1 Data processing, hosting, and related activities** (2 companies).

In terms of CapEx, all but one company reported some eligible activities, though most overall eligibilities were under 25%. Eight companies reported some aligned CapEx, but again overall alignment shares were all under 25%. The most frequently reported activities leading to aligned CapEx were **CCM 8.2 Computer programming, consultancy and related activities**, and **CCM 7.3 Installation, maintenance, and repair of energy efficiency equipment**, each by **3 companies**. Notably, two companies voluntarily disclosed alignment of non-climate activities contributing to the protection of water and marine resources and the circular economy, although these were extremely low, below 0.02%.

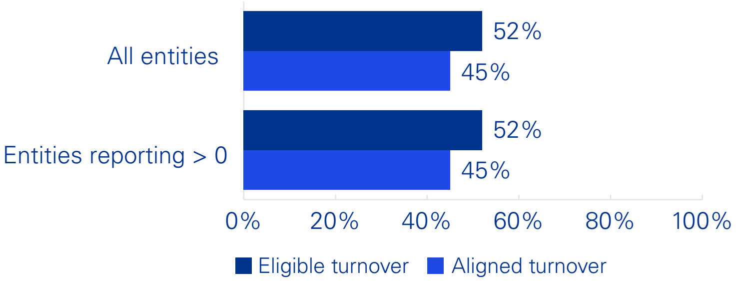
For OpEx, 11 companies reported some level of eligibility and 6 reported some level of alignment, with all overall alignments again under 25%. The most commonly reported activities for aligned OpEx were **CCM 8.2 Computer programming, consultancy and related activities** (3 companies) and **CCA 8.3 Programming and broadcasting activities** (2 companies). The low figures for OpEx were mainly not due to materiality exemptions, as only one company utilized this option.

Most companies (11 out of 15) provided explanations for why certain eligible activities were not aligned, citing reasons such as lack of substantial contribution, failure to meet the DNSH criteria, and absence of assessment due to lack of information. None of the companies in this sector reported having a CapEx plan in place. Assurance levels varied, with eight companies opting for limited assurance and seven obtaining no assurance for their EU Taxonomy disclosures.

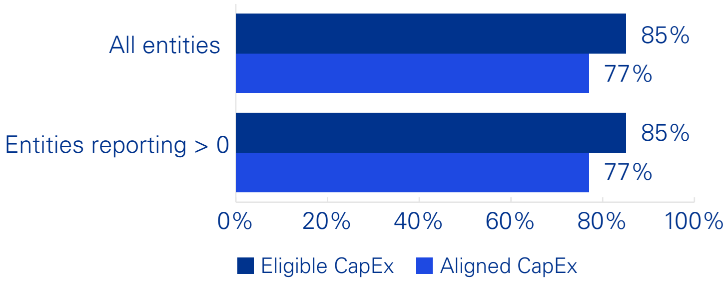
Overall, while the 'Telecommunications' sector's activities span a broad range of environmental objectives including climate change mitigation, climate change adaptation, circular economy, pollution prevention and control, and water and marine resources. However, the eligibility proportions for these activities are significantly lower compared to other sectors analyzed in our study. Furthermore, the limited alignment indicates that although most of the sector's main business activities are not covered by the EU Taxonomy, there is room for the sector to expand and enhance the effectiveness of its sustainability efforts for the activities that are Taxonomy-eligible but not aligned.

Utilities

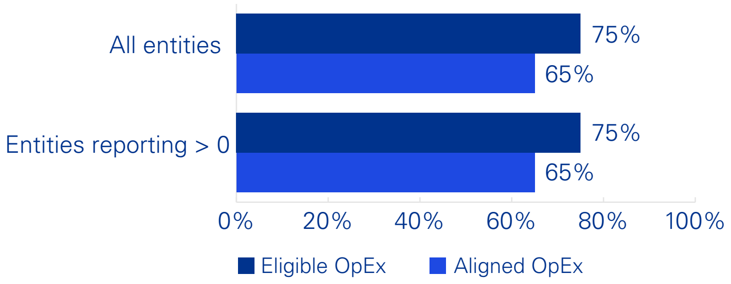
Turnover



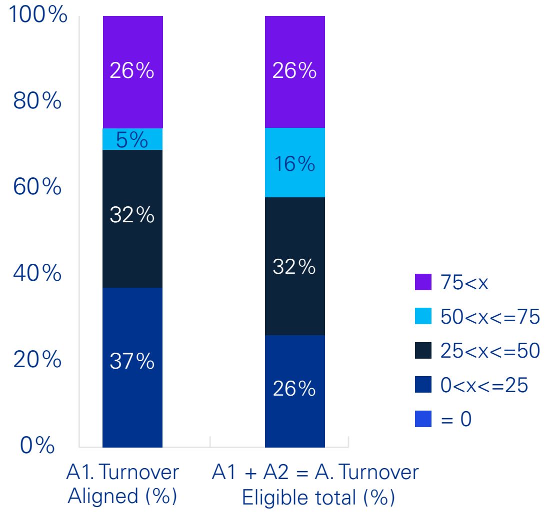
CapEx



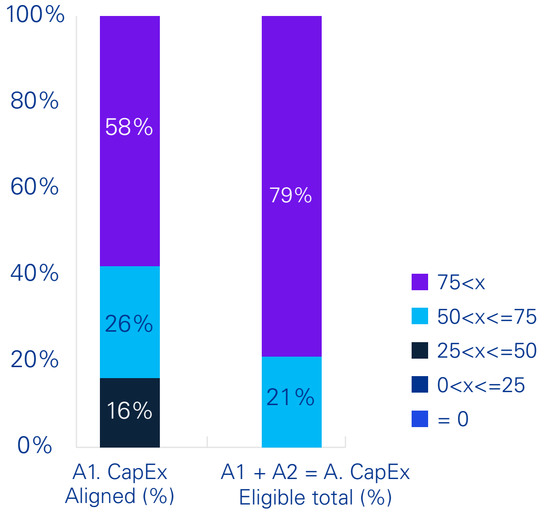
OpEx



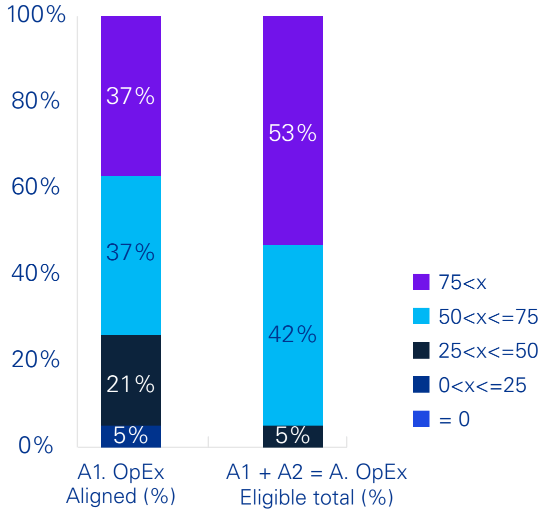
Turnover distribution



CapEx distribution



OpEx distribution



The 'Utilities' sector-sample comprises 19 companies, including 12 electricity providers and 7 other utility companies, such as gas, water, and multi-utilities providers.

Consistent with last year's findings, the 'Utilities' sector continues to exhibit a higher proportion of eligible and aligned KPIs compared to other sectors. It leads all 17 sectors in terms of aligned turnover, CapEx, and OpEx. Additionally, it ranks second in eligible CapEx, third in eligible OpEx, and fourth in eligible turnover.

For 2023, the average eligible turnover and average aligned turnover of the 'Utility' industry were 52% and 45% respectively, which are slightly lower values than for CapEx and OpEx. The reported aligned turnover represented a very large range between just over 0% and 99.4%.

All 19 companies included in the sample could report at least some aligned turnover-generating activities. Not surprisingly for the 'Utilities' sector, most of the aligned turnover-generating activities were found for the climate change mitigation objective, particularly within energy related activities. Hence, the most common aligned activities were: **CCM 4.1 Electricity generation using solar photovoltaic technology** (14 companies), **4.9. Transmission and distribution of electricity** (11 companies), **CCM 4.3 Electricity generation from wind power** (11 companies) and **CCM 4.5 Electricity generation from hydropower** (9 companies).

CapEx in the 'Utilities' sector was reported with an average eligibility of 85% and an average alignment of 77%. These figures demonstrate that a substantial portion of the investments within this industry go into activities that not only have the potential to contribute to an environmental objective, but also meet the criteria for taxonomy-alignment and can therefore be considered sustainable. The reported activities address a broad spectrum of environmental objectives, including climate change mitigation, climate change adaptation, the circular economy, pollution prevention and control, as well as water and marine resources. OpEx showed similarly high KPIs as CapEx, with an average eligibility of 75% and average alignment of 65%.

All companies reported activities with aligned CapEx and OpEx greater than 0%, with the highest alignment again stemming from energy-related activities. The most frequently reported activities for both aligned CapEx and OpEx were **CCM 4.1 Electricity generation using solar photovoltaic technology** (11 companies), **CCM 4.3 Electricity generation from wind power** (9 companies), **CCM 4.9 Transmission and distribution of electricity** (7 companies), and **CCM 4.5 Electricity generation from hydropower** (6 companies).

In this year's study, 8 companies (42%) indicated that they had CapEx plans, a notable increase from last year when no company reported such plans. However, only 2 of these companies provided detailed contextual information about their CapEx plans. Notably, 10 companies (53%) explicitly linked their EU Taxonomy disclosures to their business strategies, with 5 of these companies setting specific EU Taxonomy targets related to CapEx for the upcoming reporting period. This further demonstrates a growing ambition within the 'Utilities' sector to expand environmentally sustainable economic activities.

For activities that were eligible but not aligned, 13 companies (68%) provided specific reasons. The most common reasons cited were a lack of substantial contribution, failure to meet the DNSH criteria, and a lack of assessment due to insufficient information. In terms of assurance, 15 companies (79%) obtained limited assurance, one company (5%) obtained reasonable assurance, and three companies (16%) did not obtain any assurance.

Overall, the 'Utilities' sector has a significant portion of its activities covered by the EU Taxonomy, as shown by the high eligibility KPIs. The particularly high alignment numbers for CapEx and OpEx demonstrate a commitment to transition into more sustainable activities, although average aligned turnover so far has only slightly risen by 4% compared to the previous reporting period.

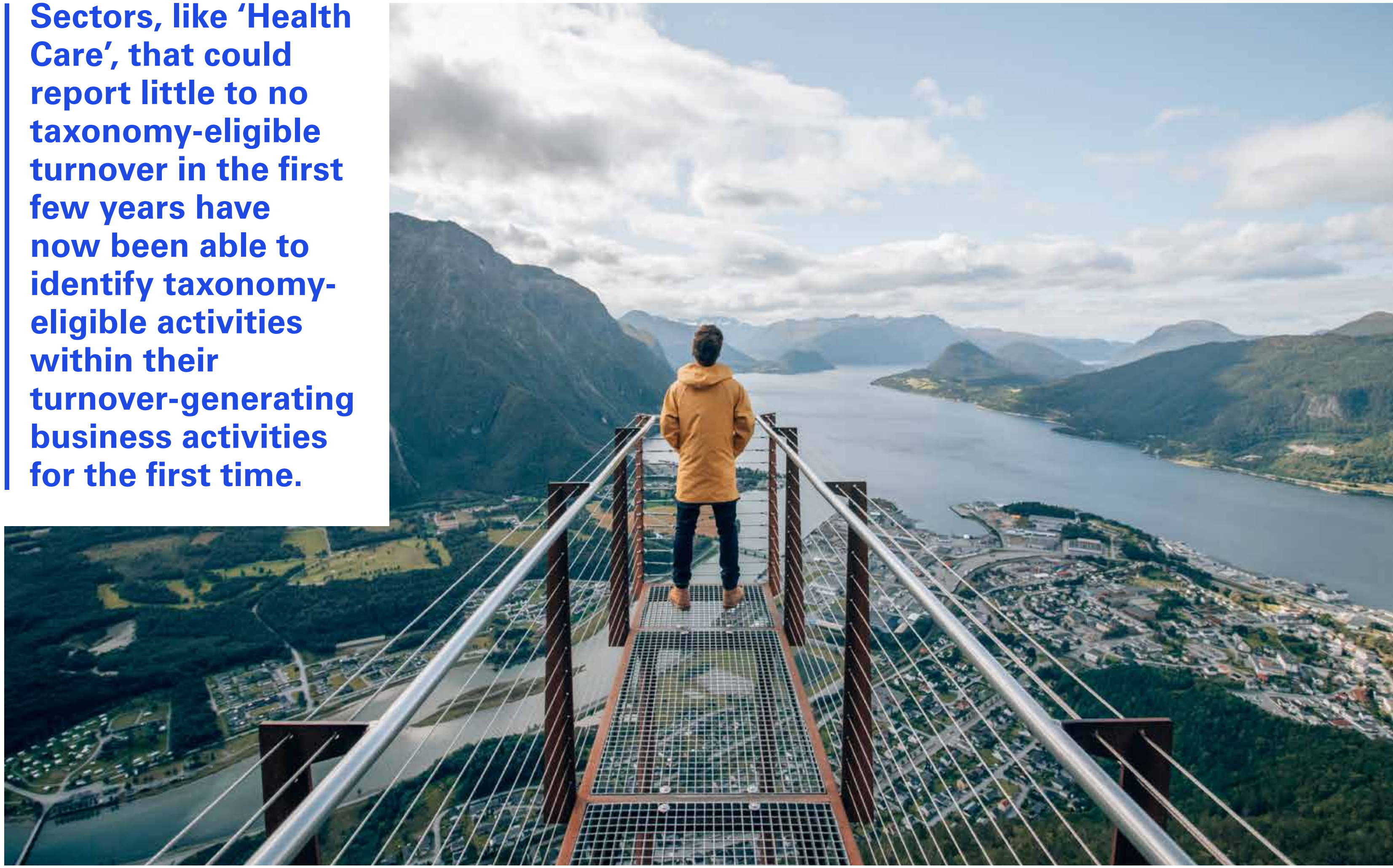
Consistent with last year's findings, the 'Utilities' sector continues to exhibit a higher proportion of eligible and aligned KPIs compared to other sectors.

Outlook

The results of this study show that the EU taxonomy has evolved, and companies are responding accordingly. As expected, now that the activities for the remaining four environmental objectives ‘Sustainable use and protection of water and marine resources’, ‘Transition to a circular economy’, ‘Pollution prevention and control’, and ‘Protection and restoration of biodiversity and ecosystems’ have been established, more companies were able to report taxonomy-eligible activities. Sectors, like ‘Health Care’, that could report little to no taxonomy-eligible turnover in the first few years have now been able to identify taxonomy-eligible activities within their turnover-generating business activities for the first time. At the same time, however, there are still sectors that are barely covered by the EU taxonomy, such as ‘Food, Beverages, and Tobacco’.

There were also positive developments among companies that did not identify any taxonomy-eligible activities among the new additions. We generally saw that, on average, higher taxonomy-alignment was achieved for the previously existing activities from the Climate Delegated Act. This underlines that the alignment criteria are demanding and, in some cases, not immediately implementable, which may be why alignment had not been achieved in the first reporting years. However, we see that companies are continuously striving to increase their share of taxonomy-aligned turnover, CapEx and OpEx. It will be interesting to see the developments in reported KPIs when next year alignment must also be assessed for the newly added activities. It also remains a question how the accompanying qualitative disclosures will develop when all companies have to get limited assurance on their taxonomy disclosures when the CSRD enters into force.

Sectors, like ‘Health Care’, that could report little to no taxonomy-eligible turnover in the first few years have now been able to identify taxonomy-eligible activities within their turnover-generating business activities for the first time.



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